

Hearing Date: July 7, 2016 at 11:00 a.m.

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Proposed Counsel for Debtor and Debtor in Possession

UNITED STATES BANKRUPTCY COURT
 EASTERN DISTRICT OF NEW YORK

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In re	:	
	:	Chapter 11
HI-TEMP SPECIALTY METALS, INC.,	:	Case No. 16-72767-las
	:	
Debtor.	:	
-----X		

**REPLY OF HI-TEMP SPECIALTY METALS, INC. TO
 OBJECTION OF WELLS FARGO BANK, N.A. TO
DEBTOR’S MOTION FOR AUTHORITY TO USE CASH COLLATERAL**

TO THE HONORABLE LOUIS A. SCARCELLA,
 UNITED STATES BANKRUPTCY JUDGE:

Hi-Temp Specialty Metals, Inc. (“Hi-Temp” or the “Debtor”), as a debtor and debtor in possession in the above-captioned chapter 11 case, by its proposed attorneys, DiConza Traurig Kadish LLP, submits this Reply to the Objection of Wells Fargo Bank, N.A. dated June 27, 2016 [Dkt. No. 20] to the Debtor’s motion (the “Motion”)¹ for orders (a) authorizing Hi-Temp to use Cash Collateral pursuant to sections 361 and 363 of chapter 11 of title 11 of the United States Code (the “Bankruptcy Code”); (b) approving the form of adequate protection provided to Wells Fargo, pursuant to Bankruptcy Code sections 361 and 363; (c) scheduling a final hearing (“Final Hearing”) on the Motion; and (d) granting related relief.

¹ Capitalized terms not defined herein shall have the meaning given those terms in the Motion.

Reply

1. The Debtor requests use of Cash Collateral so that it may continue to operate its business while it seeks capital to refinance Wells Fargo, create value for the Debtor's other stakeholders and exit chapter 11 as a reorganized entity. As set forth in the Declaration of Joseph Smokovich Pursuant to Local Bankruptcy Rule 1007-4 dated and filed as of the Petition Date [Dkt. No. 2], the Debtor retained CohnReznick Capital Markets Securities, LLC ("CRCMS") on June 15, 2016 as investment banker to find new capital, including new senior lenders and investors, to replace the Wells Fargo loan and provide the Debtor with additional liquidity.

2. In the short period of time since its retention, CRCMS has contacted several potential new lenders, and it has already received a non-bidding indication of interest featuring a \$20 million revolver with a three-year term loan. CRCMS is already in discussion with several new investors who understand that time is of the essence. At the currently scheduled July 7, 2016 hearing to consider use of Cash Collateral, the Debtor will introduce Jeffrey R. Manning, a Managing Director at CRCMS, who will provide testimony on the oversecured position of Wells Fargo, his firm's marketing efforts thus far and anticipated timing on a transaction that will provide new financing to the Debtor.

3. In its Objection and at the preliminary hearing held on June 28, 2016 (the "June 28 Hearing"), Wells Fargo attacked the Debtor's principal, Joseph Smokovich, for pre-petition use of a non-Wells Fargo lockbox account and demanded that the Court appoint a Chief Restructuring Officer.

4. At the June 28 Hearing, after extensive cross-examination by counsel for Wells Fargo, Mr. Smokovich testified that certain Debtor funds were directed to a non-Wells Fargo account during a short period prior to Petition Date, but were used for necessary expenses of the business. When asked why the non-Wells Fargo account was used, Mr. Smokovich testified as follows:

I was put in a very difficult position. I had a choice to make, and that is to have the company survive, where I have a fiduciary responsibility to take care of that company, all of its employees, its staff, and to demonstrate that the company would be viable. I needed to do that, or else the company would have gone out of business the way Wells was -- Wells Fargo was driving the task.

(Tr. 6/28/16 pp. 40-41; a copy of the June 28 Hearing Transcript is annexed hereto as Exhibit A.)

5. Mr. Smokovich further testified that he used the non-Wells Fargo account:

[T]o take care of my employees, as well as my vendors to keep the company alive, because it was clear -- after Wells Fargo unilaterally decided not to pay payroll and then held it back overnight, that next morning it became very clear to me that I was in a situation where the bank only had one thing in mind. And that is to liquidate the company. I had to sit and talk to my employees and explain to them that I could not pay them.

(Tr. 6/28/16 p. 37)

6. Mr. Smokovich's testimony referred to an email exchange between the Debtor and Wells Fargo dated as of May 31, 2016 in which Wells Fargo initially authorized the Debtor to make payroll, but revoked the funding later in the day. (See Email exchange between Wells Fargo and Debtor dated May 31, 2016 annexed hereto as Exhibit B).

7. Since the June 28 Hearing, the Debtor, with the assistance of CohnReznick, has provided Wells Fargo with a full accounting (including back-up documentation) of the funds

transferred into the non-Wells Fargo account and the use of such funds. Annexed hereto as Exhibit C is a spreadsheet of the non-Wells Fargo account transactions.²

8. At the June 28 Hearing, Wells Fargo requested the appointment of a CRO. (*See* Tr. 6/28/16 Hr. pp. 16-18.) After the Hearing, the Debtor made a good faith effort to reach a resolution with Wells Fargo on the consensual use of Cash Collateral and offered to appoint a mutually acceptable CRO. Eventually, the Debtor advised Wells Fargo that it would agree to appoint Toby Kriedler of the Calibre Group, LLC, the consulting group recommended by Wells Fargo and one of the witnesses proposed by Wells Fargo at the July 28 Hearing. (*See* Objection ¶ 11.) Instead of reaching agreement with the Debtor on the appointment of Mr. Kriedler, after insisting on the appointment of a CRO, Wells Fargo then made additional demands on the Debtor before it would consent to use Cash Collateral, including, that: (a) the Debtor agree to a debtor-in-possession loan from Wells Fargo in the form proposed prior to the bankruptcy filing,³

² In addition to the accounting, the Debtor and CohnReznick's consultants spent many hours providing Wells Fargo with supporting documents, including bank statements, wire transfer receipts, invoices and other information regarding the non-Wells Fargo account. As directed by Judge Trust at the June 28 Hearing, the Debtor provided Wells Fargo with access to its facility and books and records on July 1, 2016 so that Wells Fargo could conduct a requested field exam. The Debtor and CohnReznick's consultants expended several hours before the field exam in providing information requested by Wells Fargo about the Debtor's finances.

It has come to the Debtor's attention that Wells Fargo used certain of the information provided in violation of the automatic stay. *See* 11 U.S.C. § 362(a) (automatic stay prohibits creditors from, among other things, exercising control over property of the estate). Certain of the Debtor's customers have advised the Debtor that over the holiday weekend, Wells Fargo contacted the Debtor's customers to verify the Debtor's accounts receivable. Obviously, the Debtor and its customers are troubled by Wells Fargo's actions, which actions only serve to undermine the Debtor's reorganization efforts. The Debtor has demanded that Wells Fargo cease and desist from contacting its customers.

³ In fact, the alleged pre-petition forbearance agreement proposed by Wells Fargo was neither a forbearance agreement nor in the form of a DIP proposal. While the Wells Fargo DIP financing proposal is not clear, the Debtor, with the assistance of CRCMS, has identified several potential sources of DIP financing. The Debtor recently received a DIP financing proposal from a third party that it is under consideration.

and (b) a \$600,000 capital contribution by Mr. Smokovich. After agreeing to appoint a mutually acceptable CRO, these additional demands were rejected by the Debtor.

9. Thus, Wells Fargo is willing to move forward with the Debtor and Mr. Smokovich, but only on its unrealistic terms, which include the Debtor agreeing to a DIP loan from Wells Fargo and Mr. Smokovich's capital contribution to the Debtor. Unfortunately, it is clear that Wells Fargo has no interest consenting to the Debtor's use of Cash Collateral and its objective here is to hasten and control the liquidation of the Debtor, replace Mr. Smokovich, and satisfy solely its claim at the expense of other stakeholders in the case.

10. The Debtor respectfully requests that the Court allow it to use Cash Collateral in accordance with the revised Budget annexed hereto as Exhibit D. The Revised Budget was prepared with the assistance and input of Howard Konicov, a partner of CohnReznick LLP, the proposed financial advisors to the Debtor.⁴ At the July 7 Hearing, Mr. Konicov will provide testimony on, among other things, the Debtor's anticipated Cash Collateral needs and uses and adequate protection afforded to Wells Fargo.⁵

⁴ On July 1, 2016, the Debtor filed its Application to Retain CohnReznick LLP as Financial Advisors to the Debtor [Dkt. No. 26.]

⁵ As set forth in the Motion and at the June 28 Hearing, the Debtor is proposing adequate protection in the form of replacement liens. In addition, Wells Fargo is adequately protected due to its substantial equity cushion. Courts in this District have held that the granting of replacement liens on post-petition collateral provides adequate protection to a secured lender. *See In re Island Helicopter Corp.*, 63 B.R. 515, 523 (Bankr. E.D.N.Y. 1986) (secured lender found to be adequately protected by maintenance and upgrade in value of collateral and replacement liens on post-petition assets). Courts have held that a lender is adequately protected by an equity cushion over and above the value of such lender's claims. *In re Podzemny*, 2011 Bankr. Lexis 567 * 29, Case No. 09-14226 (Bankr. D.N.M. Feb. 8, 2011) (30% equity cushion sufficient to provide adequate protection for use of cash collateral); *In re Hefty*, 2011 Bankr. Lexis 2387 **41-43, Case Nos. 11-60039-40 (Bankr. D. Mont. June 20, 2011) (holding that a 38% equity cushion in collateral provided adequate protection for a secured claim).

WHEREFORE the Debtor respectfully requests that the Court enter an order allowing it to use Cash Collateral in accordance with the Revised Budget annexed hereto.

Dated: New York, New York
July 5, 2016

Respectfully submitted,

DICONZA TRAURIG KADISH LLP
Proposed Attorneys to Debtor and Debtor in Possession

By: /s/ Gerard DiConza
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Exhibit A

June 28 Hearing Transcript

In Re:
HI-TEMP SPECIALTY METALS, INC.
Case No. 8-16-72767-las

June 28, 2016

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UNITED STATES BANKRUPTCY COURT

EASTERN DISTRICT OF NEW YORK

Case No. 8-16-72767-las

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In the Matter of:

HI-TEMP SPECIALTY METALS, INC.,

Debtor.

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United States Bankruptcy Court
Alfonse M. D'Amato U.S. Courthouse
290 Federal Plaza
Central Islip, New York

June 28, 2016
11:02 AM

B E F O R E:
HON. ALAN S. TRUST
U.S. BANKRUPTCY JUDGE

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Hearing Re: Motion to Use Cash Collateral Filed by Gerard
DiConza on Behalf of Hi-Temp Specialty Metals, Inc., (DiConza,
Gerard) (Entered: 06/22/2016)

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A P P E A R A N C E S :

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UNITED STATES DEPARTMENT OF JUSTICE

Office of the United States Trustee

560 Federal Plaza

Central Islip, NY 11722

BY: STAN YANG, ESQ.

ALSO PRESENT:

JEFFREY MANNING, Managing Director, CohnReznick Capital

Market Securities

HI-TEMP SPECIALTY METALS, INC.

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P R O C E E D I N G S

THE COURT: All right. All right. We have on this morning the emergency hearing in Hi-Temp Specialty Metals.

I'll take appearances, please.

MR. DICONZA: Good morning, Your Honor. Gerard DiConza, DiConza Traurig Kadish on behalf of the debtor. Seated next to me, Your Honor, is Jeffrey Manning from CohnReznick, the investment broker -- proposed investment broker for the debtor. And seated behind me, Your Honor, is Mr. Joe Smokovich, who is the debtor's principal.

MR. YANG: Good morning, Your Honor. Stan Yang for the United States Trustee.

MR. SILVERSTEIN: Good morning, Your Honor. Adam Silverstein of Otterbourg P.C. for Wells Fargo. With me is my partners John Helfat and Daniel Fiorillo.

THE COURT: All right. This morning, we have the emergency hearing on the debtor's request for interim use of cash collateral. To make sure that you all understand what I anticipate, you understood before 11 o'clock this morning, this is Judge Scarcella's case. This will be perhaps the only case -- the only matter that I hear in this case, so I intend to proceed on this as an emergency hearing only; meaning that, unless you're about to tell me what agreement you've reached, the only issue that I'm going to decide today is to what extent the debtor will be able to use cash collateral to avoid

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1 immediate and irreparable harm to the estate pending a further
2 hearing to be held before Judge Scarcella on July 7th.

3 MR. DICONZA: Yes, Your Honor, I understand
4 completely. Unfortunately, we have not been able to come to an
5 agreement, although I have requested input on our proposal. So
6 we are prepared today to give the Court a brief background of
7 why we're here, where we're going with this case, and how much
8 cash we are going to need between the petition date and July
9 7th. And then, we can duke it out before Judge Scarcella if we
10 don't have an agreement before then.

11 THE COURT: All right.

12 MR. DICONZA: So Your Honor, the cash collateral
13 motion was filed on June 22nd, the petition date. In addition
14 to that motion, Your Honor, we also filed a declaration of Mr.
15 Smokovich. And that declaration included financial statements
16 of the debtor. By order dated June 23rd, Your Honor, this
17 hearing was scheduled. My office provided service in
18 accordance with that order.

19 And before we get into the specifics of the cash
20 collateral motion, Your Honor, just a little background on the
21 debtor and -- which is included in the Smokovich declaration,
22 which can be -- which we asked the Court to take judicial
23 notice of.

24 THE COURT: I've read it.

25 MR. DICONZA: Your Honor, the debtor, Hi-Temp, is a

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1 Delaware corporation, which was founded in 1982. And it's a
2 niche metals recycling company located in Yaphank, Long Island,
3 several miles east of this courthouse. It employs about
4 twenty-five people, Your Honor, here in Suffolk County. Mr.
5 Smokovich and a group of investors bought -- acquired the
6 debtor back in 1999. And as of the petition date, Mr.
7 Smokovich is the president, CEO, and majority shareholder of
8 the debtor.

9 As stated in the Smokovich declaration, Your Honor,
10 the debtor's financial difficulties started with the dramatic
11 decrease in the price of commodities over the last several
12 years, which caused a loss for the debtor, triggering a
13 technical default provision under the loan agreement between
14 the debtor and Wells. That loan facility, Your Honor, is a
15 22.5 million-dollar facility dated as of 2010. It is attached
16 as a copy to the cash collateral motion, Your Honor.

17 As of the petition date, Wells Fargo is the largest
18 creditor of the debtor holding a secured claim of approximately
19 thirteen million dollars, Your Honor. Since early 2015, Your
20 Honor, the debtor and Wells Fargo have been in workout
21 discussions over forbearance and amendments to the loan
22 document. Since that time, Your Honor, the availability under
23 the loan has dramatically decreased from the 22.5 million to
24 its current approximate of 13 million.

25 Since 2015, Your Honor, Wells Fargo has been paid

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1 approximately five million dollars -- its obligations have been
2 paid down by approximately five million dollars. And due to
3 the default, Your Honor, over the last year and a half, Wells
4 Fargo has been an active participant, to say the least, in the
5 debtor's business, Your Honor. Wells Fargo has been provided
6 with daily financials, conducted field exams, audited --
7 audits. Availability has reduced significantly. Wells has
8 been involved in the debtor's ability to make payments,
9 supervising on who the debtor makes payments to, who it can't
10 make payments to.

11 The shrinking availability, Your Honor, and control
12 asserted by Wells has put a strain on the debtor. Recent
13 negotiations, Your Honor, Wells had made demands for personal
14 financial accommodations from the debtor's principal. These
15 requests and the inability to reach a workout agreement, Your
16 Honor, caused the debtor -- excuse me, Your Honor -- to retain
17 my firm recently in May of this year, as well as Mr. Jeff
18 Manning's firm several weeks ago, Your Honor.

19 But prior to the retention of my firm, Your Honor, and
20 during the workout discussions, Wells directed the debtor to
21 retain a financial advisor and recommended a couple financial
22 advisors. And the debtor, several months ago, retained this
23 group called the Caliber Group. Unfortunately, during the
24 involvement -- during Caliber's involvement with the debtor,
25 Caliber did not identify any investors or lenders who would be

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1 willing to come in to refinance and take Wells out of the
2 picture.

3 So the debtor realized that it was continuing down
4 this suicide mission under the Wells agreement, Your Honor, and
5 the watchful eye of Wells Fargo. In the end, the debtor's
6 relationship with Caliber soured, yet Wells Fargo continued to
7 insist that Caliber be retained going forward by the debtor.

8 In contrast to Caliber, Your Honor, in just the few
9 weeks that Mr. Manning's group has been on board with the
10 debtor, Mr. Manning -- and he will testify, Your Honor, today
11 that --

12 THE COURT: Well, he may testify, but not today.

13 MR. DICONZA: Okay, Your Honor. Done.

14 He has established an online virtual data room
15 containing the debtor's financials, Your Honor. He has already
16 identified several potential investors, some who have already
17 signed NDAs, Your Honor, and has fielded several calls from
18 interested strategic investors. Your Honor, Mr. Manning is an
19 investment banker and firmly believes that the debtor will be
20 able to obtain financing or an investment in a short period of
21 time that will be able to pay off Wells Fargo in full in that
22 short period of time. And the debtor will be able to
23 reorganize coming out of this case, maintaining employment of
24 twenty-five employees here in Suffolk County under a
25 reorganized entity.

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1 The debtor had to file this Chapter 11, Your Honor, to
2 get some breathing space so that the continued Wells Fargo
3 control -- every day control so that the debtor's principal can
4 focus on the business during the next several months to deal
5 with potential investors who are interested in the company.

6 The debtor filed this company, Your Honor, because it
7 has fiduciary obligations not just to Wells Fargo, but to all
8 of its creditors. Your Honor, if Mr. Manning were given the
9 opportunity to testify today, he would testify that Wells Fargo
10 is in fact oversecured. There's enough value here, Your Honor,
11 not just for Wells Fargo but for creditors and other
12 stakeholders. If Wells Fargo has its way, Your Honor, this
13 would be a liquidation, and Wells Fargo would be the only
14 entity that gets paid out during this case.

15 So Your Honor, that brings us to today's cash
16 collateral motion, and we understand today we're only dealing
17 with a short period of time from the petition date through July
18 7th, Your Honor. As part of the motion, we filed a thirteen-
19 week budget. So Your Honor, what the debtor needs during the
20 petition date through July 7th is approximately 1.5 million
21 dollars in cash to pay critical vendors, employees, utilities,
22 insurance. And that's all set forth on the budget, Your Honor,
23 and Mr. Manning --

24 THE COURT: Well, the critical -- well, critical
25 vendors is not --

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1 MR. DICONZA: Not --

2 THE COURT: -- for today, and there's no employee
3 payroll line until the July 8 week.

4 MR. DICONZA: Your Honor, I -- yeah, it's not critical
5 vendors in the sense of pre-petition critical vendors. We have
6 not filed a motion for payment of pre-petition critical
7 vendors, so we're not considering those right now until --
8 unless and until we actually do file a motion. Critical
9 vendors is who I -- what I mean by post-petition suppliers,
10 Your Honor, for today's purposes.

11 THE COURT: All right.

12 MR. DICONZA: Your Honor, so the amount that we
13 believe is necessary to get the debtor through the July 7th
14 hearing is approximately 1.5 million dollars.

15 As far as adequate protection for the bank, Your
16 Honor, the debtor has proposed to provide the debtor with
17 replacement liens on post-petition property acquired by the
18 debtor, post-petition inventory acquired by the debtor, which
19 the bank does not have liens on. We also believe, Your Honor,
20 that there's a substantial equity cushion here. Mr. Manning
21 would testify that he believes that there's value above and
22 beyond the thirteen million dollars due and owing to Wells
23 Fargo.

24 There's -- in just the inventory and accounts
25 receivable, Your Honor, there's approximately twenty million

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1 dollars in value. And that's excluding equipment, Your Honor,
2 which Wells Fargo also has a lien on and is valued somewhere --
3 on a liquidation value, Your Honor -- is between one million
4 and two million. So there's approximately twenty-two million
5 dollars in value here. And the Wells Fargo claim is only
6 thirteen million, Your Honor.

7 So we believe that the case law establishes that an
8 equity cushion of that size is sufficient adequate protection.
9 The replacement liens, Your Honor, that we're offering --

10 THE COURT: All right. Well, I'm going to give Wells
11 Fargo a chance to present their side of the story. I've read
12 your objection -- I mean, I've read the motion, I've read the
13 Smokovich affidavit, I've read the Wells Fargo objection. So
14 let me let you summarize. And then, the Court's intention is
15 this: is we've got the declaration of the principal of the
16 debtor. The Court's intention would be to allow Wells Fargo to
17 cross-examine Mr. Smokovich on his declaration so that I can
18 get a feel for how much actually needs to be utilized in terms
19 of cash between now and July 8th, and then what protection to
20 Wells Fargo is or might be worth.

21 Presumably, the principal of the company has a handle
22 on what the stuff is worth, as well as the expert might. And
23 then, to hear from a Wells Fargo witness on why they believe
24 that this case is going down the drain very rapidly. And
25 presumably, they want to know -- at least their objection says

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1 they want to know what happened to the cash pre-filing.

2 So let me give Mr. Silverstein a chance, and then
3 we'll come back to get in some evidence.

4 MR. DICONZA: Thank you, Your Honor.

5 MR. SILVERSTEIN: Good morning again, Your Honor.
6 Adam Silverstein for Wells Fargo.

7 There's a lot that Mr. DiConza said that I want to
8 address, but I want to focus the conversation now on the
9 emergency relief that they're seeking. And under different
10 circumstances with a different debtor, we might not be here
11 today. In fact, on the car ride out from Manhattan, when I was
12 with Mr. Forte, he was trying to remember the last time that he
13 came out and appeared for a cash collateral fight.

14 So the starting point is really the debtor and Mr.
15 Smokovich. And I want to focus on that. The -- according to
16 the debtor's financials, the debtor collects approximately two
17 to two and a half million dollars a month. And in fact, when
18 the debtor filed its application for use of cash collateral, it
19 projected that for the week ending June 24th, which was two
20 days after the application was filed, there would be 800,000
21 dollars in collections.

22 As we stand here today, in Wells Fargo's sweep
23 account, there is 26,000 dollars. In fact, for the three weeks
24 in June leading up to June 24th, there was total collections in
25 the control account of 52,000 dollars. So the record is pretty

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1 clear, Your Honor, that Mr. Smokovich has diverted proceeds
2 that he knew were in security for Wells Fargo that should have
3 gone into a control account. And he's now put them somewhere
4 else. We don't know where they are. We don't what's been with
5 them, but it's clear that Mr. Smokovich is playing by his own
6 set of rules.

7 He's -- Mr. DiConza said that Wells Fargo's getting
8 daily reporting. In fact, Your Honor, the debtor's supposed to
9 be providing monthly financials. The April financial would be
10 due by the end of May. And in fact, historically, the debtor
11 has provided financials by the end of the following month. And
12 we do not have the April financials. And those financials are
13 going to show, Your Honor, as has been the recent history of
14 the debtor's business, that there are ongoing losses at the
15 company. There's not sufficient liquidity, and -- but that's
16 being withheld and concealed from us.

17 We asked for Mr. DiConza's -- I'm sorry, we asked for
18 Mr. Smokovich's deposition between the filing and today. We
19 were told no. The debtor has transferred monies to a nondebtor
20 affiliate in the hundreds of thousands of dollars within the
21 last year, including even after we entered into a forbearance
22 agreement that acknowledged the default for such conduct. And
23 it still continued.

24 So in essence, Your Honor, the debtor and Mr.
25 Smokovich are thumbing their nose at their creditors. And Mr.

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1 Smokovich thinks that he can play by his own set of rules. And
2 now, after playing fast and loose, he's asking the Court to
3 essentially give him unfettered use of Wells Fargo's cash.
4 There -- the application seeks no restrictions other than now
5 we're hearing an amount of 1.5 million dollars, but there's no
6 strings attached on what that money, as far as we know, can be
7 used for.

8 And in -- and what I just heard Mr. DiConza say is
9 that the debtor, who is sitting on, according to them -- I
10 think Mr. DiConza said twenty million dollars of inventory,
11 they want to use cash collateral to buy yet inventory. The
12 fact of the matter is, Your Honor, that the inventory that the
13 debtor has is these specialty metals; we think up to fifty
14 percent of which are -- have been sitting in the warehouse for
15 a year or more. The collateral hasn't been -- the inventory
16 hasn't been sold. But if it is as valuable as Mr. DiConza
17 says, there's no need to buy any more of it. He's got
18 sufficient inventory to sell off. He doesn't need to use cash
19 to buy more inventory.

20 So -- and in addition, they want to use the
21 debtor's -- they want to use Wells Fargo's cash to pay
22 professional fees. So even without addressing the merits of
23 the cash collateral application, there's not even a basis for
24 the unfettered use of the debtor's -- of Wells Fargo's cash for
25 even a week.

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1 But in terms of the merits -- and there's --

2 THE COURT: So you want -- the bank wants me to
3 convert the case today?

4 MR. SILVERSTEIN: Pardon?

5 THE COURT: The bank wants me to just convert the case
6 today?

7 MR. SILVERSTEIN: I want to discuss it with my client,
8 if I could have a moment and -- a few moments, and we can let
9 you --

10 THE COURT: I'm not saying I'm going to. I'm just
11 trying to figure out --

12 MR. SILVERSTEIN: Well, I think that --

13 THE COURT: I -- you got to get from --

14 MR. SILVERSTEIN: -- at a minimum, Your Honor, we
15 think there should --

16 THE COURT: Well, but the bank -- well, hang on. We
17 have to get from no to something. So just saying stay in
18 Chapter 11 but don't operate or spend cash is not an option.
19 So --

20 MR. SILVERSTEIN: Yeah, at a minimum, Your Honor, we
21 would want a CRO appointed. I will talk to the client about
22 conversion, but I think having a CRO come in and take control
23 and work with Mr. Smokovich would be acceptable to the bank.

24 We disagree with virtually everything that Mr. DiConza
25 said about the presentation and the facts leading up to the

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1 filing. And I'm not going to address all of those things now.
2 What I will address, though, is that there's been absolutely no
3 showing whatsoever of adequate protection for the unfettered
4 use of Wells Fargo's cash.

5 There is no showing whatsoever as to when this
6 money -- when the one and a half million dollars is used to pay
7 whatever the debtor has in mind for what it's going to be used,
8 what is Wells Fargo left with? We -- there's no -- there's
9 nothing in the record about what the current accounts
10 receivables are, what the current inventory is, what it's going
11 to look at in another week.

12 So we're happy to cross-examine Mr. Smokovich. We're
13 happy to put on Mr. Irwin from Wells Fargo and to address these
14 issues. But based on the conduct that is irrefutable -- Mr.
15 DiConza knew the allegations when he stood up here and he
16 didn't even address them. We think, at a minimum, there should
17 be a CRO appointed, and we also want an accounting as to where
18 this money is and how it's been used, because, as -- our
19 understanding is today is a payroll day, Your Honor. And
20 clearly, the debtor has been using cash even after -- or will
21 be using cash even after the bankruptcy filing without any
22 first day applications or orders.

23 So Your Honor, as I mentioned, we don't think that the
24 debtor should have any use of cash collateral even for a week,
25 certainly non -- on an unfettered basis. And at a minimum,

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1 there should be a CRO and an accounting.

2 THE COURT: All right.

3 MR. SILVERSTEIN: Thank you, Your Honor.

4 THE COURT: All right. Mr. Yang -- well, hang on.

5 Mr. Yang, from your office?

6 MR. YANG: Not at this time, Your Honor.

7 THE COURT: All right.

8 MR. DICONZA: Your Honor, can I address some of those
9 points? And then, if Your Honor would like to put Mr.
10 Smokovich on the stand or ask questions of him from there, we
11 can do that.

12 Your Honor, regarding the sweep account, I don't know
13 if Mr. Silverstein practices in bankruptcy, but the United
14 States Trustee has a requirement that the debtor shut down its
15 accounts as of the petition date and open up new accounts. And
16 that's what the debtor has done. The debtor has opened new
17 debtor-in-possession accounts at TD Bank, Your Honor.

18 As far as these various allegations that they're
19 making about Mr. Smokovich diverting funds, Your Honor, that's
20 negligent on the part of Wells Fargo, Your Honor. This is a
21 company that we're trying to rehabilitate. And by them coming
22 in here and making allegations that he's diverting funds, Your
23 Honor, is not only going to hurt the company but their own
24 collateral, Your Honor, at the end of the day.

25 Mr. Smokovich and the company was forced to open up

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1 another account pre-petition, Your Honor, because of Wells
2 Fargo's control over the sweep accounts that were controlled by
3 Wells Fargo. Wells Fargo directed who the debtor could make
4 payments to. If Mr. Smokovich had not opened up the other
5 account, Your Honor, he would not have been able to retain
6 counsel of his own choice. He would not have been able to
7 retain investment bankers of his own choice. At one point,
8 Your Honor, the bank advised Mr. Smokovich that he could make
9 payroll one day. The next day, they pulled that authority, and
10 he was unable to make payroll and had to go address all of his
11 employees and tell them that he wasn't able to pay them because
12 the bank revoked the authorization to make payroll.

13 Mr. Smokovich was forced to do this, Your Honor, in
14 order to keep the company alive as a fiduciary for all the
15 creditors of the company.

16 Regarding the bank's request for depositions, Your
17 Honor --

18 THE COURT: What was the pre-petition bank? You said
19 the debtor opened a DIP account --

20 MR. DICONZA: Yes.

21 THE COURT: -- at TD Bank post. What was the nonWells
22 Fargo pre-petition bank?

23 MR. DICONZA: I believe it was Citibank, Your Honor.
24 It was Citibank, Your Honor.

25 As far as the deposition, Your Honor, Your Honor, this

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1 case was filed last, I believe, Wednesday, Your Honor. I
2 advised Wells Fargo that I was out of the office on Friday. I
3 could not make it, and there was no opportunity to provide any
4 depositions. They requested within two hours of the filing --
5 they've alleged that they never knew about the filing except
6 through a random search. Your Honor, within two hours after
7 the filing, I received a notice to depose four people from the
8 debtors. So we weren't able to give them anyone before today.

9 But I told the bank that if they wanted to conduct
10 reasonable depositions -- and we don't need the depositions of
11 four people between now and the final hearing -- we're more
12 than willing. 4th of July is wide open. I'm more than willing
13 to give them someone on the 4th of July if they want to depose
14 someone in our offices.

15 Your Honor, transferred to affiliates. Again, Your
16 Honor, that was all done with Wells Fargo's knowledge. Wells
17 Fargo knew about those transfers. It wasn't -- it's not as if
18 this is an affiliate off site. This is a company within the
19 business at the facility at Yaphank.

20 Not knowing what the 1.5 million dollars is going to
21 be used for, Your Honor. Again, there was a budget attached to
22 our cash collateral motion. We filed this case last Wednesday.
23 Wells Fargo or its counsel could have called me and asked what
24 do you need the monies for, what are going to do. No, they
25 refused to make that call, Your Honor. They want to get rid of

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1 Mr. Smokovich, and they're going to allege diversions here
2 before Your Honor because they want to put someone else in
3 control of the company and control this case for their own
4 purposes, Your Honor.

5 Regarding the inventory, Your Honor, Mr. Silverstein
6 misquoted me. I did not say that there's twenty million
7 dollars' worth of inventory, Your Honor. Based on the debtor's
8 books and records as of the petition date, there's about
9 fourteen million dollars in inventory, about five million in
10 receivables, Your Honor.

11 And as far as professional fees, Mr. Silverstein
12 should know that the debtor is not authorized to make any
13 payments to professionals during the post-petition period
14 unless the Court authorizes those payments. There have been no
15 authorizations to make professional fees. The debtor has not
16 made any professional payments to professionals post-petition,
17 nor has the debtor used cash post-petition to make any payments
18 to any creditors, Your Honor.

19 THE COURT: There's no payroll on the June 24 line, so
20 was the payroll paid pre-filing?

21 MR. DICONZA: There was payroll paid pre-filing, Your
22 Honor.

23 THE COURT: All right.

24 All right, I have an 11:30 matter. I don't know if
25 the parties are here yet for the 11:30 matter.

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1 All right, I'm going to do this. I'm going to recess
2 you all on Hi-Temp to have the conversation that I guess you
3 all have not yet had about which items within the June 24 and
4 July 1 lines actually need to be expended between now and July
5 7th on which any form of consensus can be reached. If you all
6 can reach that agreement, great. If not, then we'll proceed
7 when I call you back in with cross-examination of Mr. Smokovich
8 on his declaration, and we'll get down to the nitty-gritty of
9 what you all are telling me here and what the papers are saying
10 to what is actually happening on the ground.

11 And again, inform that conversation with the
12 following. This will probably be my last hearing in this case,
13 and the institutional knowledge that you're willing to impart
14 to me will be somewhat lost when Judge Scarcella takes the case
15 back over. And you will need to start all over again with him
16 on July 7th with the wonderful thought streams and aspirations
17 of where you each might want to see this case going.

18 All right?

19 MR. DICONZA: Thank you, Your Honor.

20 THE COURT: All right.

21 So we'll recall Hi-Temp at noon. And there are two
22 conference rooms just outside my courtroom. And I would prefer
23 you use one. But feel free to -- feel free to use both, but
24 have the conversation about what, at a minimum, you all can
25 agree to, to get the company from here to after July 4th. And

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1 I will not impose depositions on the 4th of July for any number
2 of reasons, including the fact that I won't.

3 All right?

4 IN UNISON: Thank you, Your Honor.

5 THE COURT: All right.

6 MR. YANG: Thank you, Your Honor.

7 THE COURT: Mr. Yang, feel free to participate in
8 those conversations.

9 MR. YANG: Sure, Your Honor.

10 THE COURT: All right.

11 So let's go to our -- you all can leave your stuff set
12 up if you want to. I don't think the 11:30 matter will take up
13 much space.

14 IN UNISON: Thank you, Your Honor.

15 THE COURT: All right.

16 (Recess from 11:33 a.m. until 12:15 p.m.)

17 THE COURT: Thank you. Please be seated.

18 We're back on the record on Hi-Temp Specialty.

19 Mr. DiConza.

20 MR. DICONZA: Yes, Your Honor. Thank you again. Your
21 Honor -- and I appreciate the efforts of Mr. Yang, who was
22 trying to play mediator during our session there and narrow the
23 issues on the exact amount that's necessary between now and the
24 next hearing on July 7th.

25 Your Honor, when we left here, we had requested 1.5

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1 million. The debtor has come down to 1.25 million, Your Honor.
2 My understanding is that the bank -- about 990,000 of that, the
3 bank is not willing to agree to, Your Honor. And that 990,000
4 is based -- is necessary to purchase new inventory that the
5 debtor needs for sales that it has that are upcoming, Your
6 Honor. And we've been holding off on purchasing that inventory
7 for several weeks. And the debtor believes that it's
8 absolutely critical that it has access to that money to
9 purchase that inventory.

10 And Mr. Smokovich is here, is willing to take the
11 stand to -- and tell the judge why it's necessary that he has
12 access to that to purchase that inventory.

13 THE COURT: All right. Let's hear from Mr. Smokovich.

14 Mr. Smokovich, if you'll take the witness stand on
15 your right. When you get there, just remain standing so you
16 can be sworn by the court reporter.

17 THE CLERK: Can you please raise your right hand?

18 (Witness sworn)

19 THE CLERK: Can you please say and spell your name for
20 the record?

21 THE WITNESS: My name is Joseph Smokovich, last name
22 spelled S-M-O-K-O-V-I-C-H.

23 THE CLERK: Okay. Please be seated.

24 THE WITNESS: Thank you.

25 THE COURT: All right. The Court is creating the

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1 declaration of Mr. Smokovich as docket item 2 as his direct
2 testimony. if -- Mr. DiConza, if you want to now narrow the
3 proposed usages in accordance with the budget that was attached
4 to the motion so that we all know what specific uses of cash
5 collateral the debtor is seeking authority for today. And
6 then, the bank can cross-examine.

7 CONTINUED DIRECT EXAMINATION

8 BY MR. DICONZA:

9 Q. Mr. Smokovich, do you have a copy of your budget with you?

10 A. No, it's on my --

11 Q. Can you get it?

12 A. Certainly.

13 THE COURT: And so everyone is fairly informed, we're
14 going to be done at 1:30. So use the time accordingly. But I
15 am going to -- after Mr. Smokovich, I'll hear from the
16 representative from Wells Fargo.

17 MR. DICONZA: Thank you, Your Honor.

18 Q. Mr. Smokovich, do you understand that the purpose of your
19 testimony right now is to discuss the financing needs of the
20 debtor --

21 A. Yes.

22 Q. -- from the petition date through the --

23 A. Yes.

24 Q. -- July 7th hearing that is scheduled to be before Judge
25 Scarcella?

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1 A. I do. I'm sorry, I left my forecast in -- I thought it
2 was in this folder, but it's not.

3 Q. Okay.

4 A. Would you give me another moment? Thank you.
5 Thank you.

6 Q. Mr. Smokovich, when we filed the Chapter 11 case, we
7 attached a thirteen-week budget to the motion for use of cash
8 collateral. Do you have that budget?

9 A. Yes, I do.

10 Q. As part of the debtor's projections, Mr. Smokovich, going
11 forward to -- do you see week number 3 projected through
12 7/8/2016?

13 A. Yes.

14 Q. The debtor forecast approximately 1.5 million dollars at
15 the end of the -- of that three-week period of July 8th; is
16 that correct?

17 A. Yes. In total receipts?

18 Q. Yes.

19 A. Yes.

20 Q. Do you have any reason to believe that that forecast is
21 not accurate?

22 A. I have no reason to believe that.

23 Q. How much cash does the debtor currently have on hand?

24 A. Approximately 150,000 dollars, in addition, 30,000 in a
25 payroll account for today's payroll -- 35,000.

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1 Q. And between today and July 8th, how much is the debtor
2 expecting to receive?

3 A. In total receipts, approximately, 1.5 million, give or
4 take.

5 Q. And when you say "give or take", what do you mean?

6 A. It's a timing question. Many of our customers are
7 international, and we have not only a time difference,
8 sometimes a communication issue. And you certainly can't
9 control when someone decides to send you a wire or a check.
10 The other additional complication is that now that we opened a
11 debtor-in-possession account with an operating account at TD
12 Bank, it will take some time for that to filter through because
13 there's a purchasing manager, and I'll hand it to the
14 accounting office.

15 So there may be -- I'm not saying there is -- there may be
16 some timing issue there.

17 Q. And these receivables, Mr. Smokovich, what type of
18 companies owe receivables to your company?

19 A. In this case, two of them are for -- just this period of
20 time?

21 Q. Yes.

22 A. Two of them are publically traded companies. Another is
23 part of a large conglomerate, and one is a Japanese firm that
24 we've been doing business with for many years. But the vast
25 majority are with publically traded companies.

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1 Q. Do you have any reason to believe that the accounts
2 receivable that the company has on its books and records would
3 not be collectible?

4 A. I have no reason to believe that there's any or slight
5 dilution in that.

6 Q. What is the company's history as far as collecting
7 accounts receivable?

8 A. Very strong in my time. I've been running the company for
9 more than fifteen years. One or two incidences of write-off
10 for receivable.

11 Q. Going to the necessary expenditures over the next week or
12 so -- and July 7th is already next week. And you do recall the
13 discussions we had in the status conference just prior to you
14 being put on the stand about the company's requirements. And
15 one of those requirements is the purchase of new inventory that
16 will cost approximately 990,000. What is that inventory
17 necessary for?

18 A. To fill existing orders that are due in the month of July.

19 Q. And if the company is not able to purchase that inventory,
20 what will happen?

21 A. There's a high degree of risk in that because, as I just
22 stated previously, many of our customers are publically traded
23 companies. We have long-term contractual agreement with them,
24 and the risk is a significant one. So let's say we don't
25 deliver on a particular order. The contract will call for a

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1 cancellation clause, and then the -- our customer, our
2 counterpart has the right to try to fill that order and seek
3 material at the best possible price. And we'd be probably
4 responsible to pay the difference in his cost versus ours if
5 the price to fill that order was higher.

6 And there's also the risk of canceling the contract
7 thereafter.

8 Q. The financials that the company has and the discussions
9 that's been before the Court today is that the company already
10 has approximately fourteen million dollars of inventory. Why
11 does the company need new and additional inventory?

12 A. That's a good question, of course. Simply stated, not
13 every -- it's -- this is not a homogeneous inventory. It's
14 first off three different types of material. And within those
15 types of material, there are different forms. Some require
16 difference processes. Customers have different specifications.
17 Not all of that material can fill every order. Some can, and
18 some cannot. The material that I'm seeking to purchase is not
19 currently in inventory. There would be no reason to purchase
20 if that was the case.

21 Q. And the vendors and suppliers that will provide you with
22 this inventory, will they be willing -- would they be willing
23 to do it on credit?

24 A. Some, I'm hoping, still will, because I've -- I'm past due
25 of approximately four and a half million dollars. Some of our

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1 trade creditors are not exactly enthused to offer us more
2 credit. So I expect that most likely half will allow us some
3 level of credit, and half will not, which will require perhaps
4 some cash to pay for material to get it here.

5 Keeping in mind that not all of our suppliers are domestic
6 U.S. companies. There are foreign companies, Asian, and they
7 may not understand this process very well. But they do
8 understand getting paid.

9 Q. Other than the purchase of inventory, what other cash
10 needs does the company have between the petition date and the
11 July 7th hearing?

12 A. The ancillary costs of that material, freight and duties,
13 that is to deliver the material or take it in, certain
14 commissions to certain sales people, professional fees for
15 persons like yourself and Mr. Manning, certainly insurance
16 payments, workman's comp, things of that nature, rent -- oh,
17 between now and the 8th, rent and things like that, equipment
18 leases.

19 Q. But that's -- that was our budget going into the Chapter
20 11. As far as just emergency purchases between now and the
21 7th, in addition to inventory and the 1.25 million dollars that
22 we arrived at, what is included within that 1.25 million?

23 A. I'm sorry, the question again?

24 Q. What expenditures are nec -- are included within --

25 A. Oh, yes.

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1 Q. -- the 1.25 --

2 A. Okay.

3 Q. -- million?

4 A. Well, according to the budget, which I still believe is
5 the case, I have certain conversion costs related to material
6 that is being converted for sale, for which I have sales.

7 Q. What are conversion costs?

8 A. I'm sorry?

9 Q. What are conversion costs?

10 A. Okay, we have some material that needs to be upgraded. Of
11 course, Wells Fargo is well aware of that and -- so is our
12 prior consultant, where we take material, we upgrade it. We
13 have to ship it to a foreign country. They convert the
14 material to another form, and it is sold. That material is
15 sold, so this is the cost of selling that -- cost of getting
16 that material in place to sell.

17 Q. And those costs are critical between now and July 7th?

18 A. If I don't pay it, I won't get the material, and it is
19 sold.

20 Q. And it was what?

21 A. It is sold.

22 Q. Are there insurance costs included within the 1.25
23 million?

24 A. Yes, there is. One of the issues that I just learned
25 yesterday is that we have a workman's comp issue. Apparently,

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1 they lost a check at the insurance company, and they're seeking
2 to cancel us by July 5th if I don't make payment, approximately
3 23,000 dollars or something like that.

4 Q. And additional costs would be employees with -- is that
5 correct?

6 A. Excuse me?

7 Q. Employee, as part of the 1.25 million?

8 A. Yes, employees -- yes, of course, employees' commissions,
9 interest -- I'm sorry, trustee fees.

10 Q. Well, as part of the 1.25 --

11 A. Oh.

12 Q. -- million, the U.S. Trustee --

13 A. Okay.

14 Q. -- and professional fees are not included with that; is
15 that correct?

16 A. Yes. Yes.

17 Q. Can you think of any other costs that are necessary
18 between now and July 7th that the company needs to pay in order
19 to remain operating?

20 A. I think that this is an accurate portrayal of what we
21 need.

22 MR. DICONZA: Your Honor, I have no further questions
23 for Mr. Smokovich.

24 THE COURT: All right. Thank you.

25 Mr. Silverstein.

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1 MR. SILVERSTEIN: Thank you, Your Honor.

2 CROSS-EXAMINATION

3 BY MR. SILVERSTEIN:

4 Q. All right, good afternoon, Mr. Smokovich. Adam
5 Silverstein for Wells Fargo. I have some questions for you.

6 You recognize we're here on an emergency basis, right?

7 A. I suppose so, yes.

8 Q. All right, that you're asking for use of Wells Fargo's
9 money to get you through to July 7th, right?

10 A. Yes, I guess that is the case.

11 Q. And the only money you're asking for at this point is
12 money that you're saying is essential for your business to get
13 from today until July 7th, right?

14 A. That's correct.

15 Q. Okay. And we're going to dive into that, but let me ask
16 you about the Citibank account. When did you open that?

17 A. Excuse me?

18 MR. DICONZA: Your Honor --

19 Q. When did you open the Citibank account?

20 MR. DICONZA: Your Honor, the Citibank account is a
21 pre-petition account. It has no relevancy to the debtor's cash
22 needs between today and July 7th.

23 THE COURT: Well, it might. There's only one way to
24 find out is to find out. So --

25 A. The Citibank account was opened in late March of this

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1 year.

2 Q. What monies went into the Citibank account?

3 A. Could you be more specific?

4 Q. The Citibank account held what money? What went into it?

5 A. Payments from vendors, primarily.

6 Q. Payments from vendors?

7 A. I'm sorry, customers. Customers, sorry. Pardon me.

8 Q. So you were collecting on sales, and the money was going
9 into the Citibank account?

10 A. Only recently.

11 Q. Well, from late March until the bankruptcy filing?

12 A. There was one transaction in late March. Actually, money
13 came in from an Indian supplier, went right back out, and that
14 was the only transaction.

15 Q. So how much money came in from the Indian supplier?

16 A. About 120,000 dollars.

17 Q. That was in late March?

18 A. Late March, early April.

19 Q. And you said it went right out?

20 A. Right back to them, yes.

21 Q. So the suppl -- the customer paid 110,000 dollars (sic) to
22 Hi-Temp, and then you sent the money right back to them?

23 A. That's correct.

24 Q. Okay. And was this part of a -- some sort of swap program
25 or something?

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1 A. That's correct, part of it.

2 Q. And the only monies -- so right now, the Citibank account
3 has no money in it?

4 A. No money, the account is closed, yes.

5 Q. And when did you close the account?

6 A. Approximately three or four days ago.

7 Q. Okay. At any point in time, between late March and the
8 bankruptcy filing, did any other monies besides approximately
9 110,000 dollars in late March go into it?

10 A. Yes.

11 Q. Okay. What other monies?

12 A. In the past two weeks or so, prior to closing the account,
13 payments from customers, which I needed to pay payroll, make
14 payroll, pay the rent, make sure that Citi -- make sure that my
15 company stayed afloat because it was clear that Wells Fargo had
16 no interest in supporting the ongoing business opportunities
17 for the company.

18 Q. Let me just ask you -- I'm going to come back to this, but
19 I just want to ask you a question about Wells Fargo's support.

20 The loan has been in default previous to the bankruptcy
21 filing, correct?

22 A. There was a technical default, and then some --

23 Q. Did --

24 A. -- other defaults after that.

25 Q. You -- Hi-Temp was consistently in default of the fixed

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1 charge coverage ratio, correct, under the loan documents?

2 A. And that was waived, correct.

3 Q. Right. Wells Fargo didn't use that default to try to shut
4 down your business and liquidate your collateral, did it?

5 A. Yes.

6 Q. It did?

7 A. Yes.

8 Q. It used the fixed coverage ratios to do that?

9 A. They -- it initiated an entire program.

10 Q. In 2012, they excused your default, correct?

11 A. Yes.

12 Q. In 2013, they excused your default, correct?

13 A. I don't recall 2013.

14 Q. All right. 2014, they excused your default, correct?

15 A. I don't recall 2014.

16 Q. There were multiple times where Wells Fargo excused
17 defaults by Hi-Temp; isn't that true?

18 A. More than one time it was waived.

19 Q. Now, coming back to the Citibank account, how much money
20 in total went into that account beyond the 110,000 dollars?

21 A. Approximately 900,000 dollars.

22 Q. When was that?

23 A. Within the last two weeks prior to closing the account.

24 Q. Now, that was money from customers of Hi-Temp?

25 A. That's correct.

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1 Q. And those customers, prior to the last two weeks, had been
2 sending payments for goods to a Wells Fargo account; isn't that
3 true?

4 A. I believe so, yes.

5 Q. So you called up your customers and told them to send the
6 money elsewhere; isn't that right?

7 A. I was advised by counsel that I have a fiduciary
8 responsibility for my company --

9 Q. And who --

10 A. -- and to take --

11 Q. Sorry.

12 A. -- to take care of my employees, as well as my vendors to
13 keep the company alive, because it was clear -- after Wells
14 Fargo unilaterally decided not to pay payroll and then held it
15 back overnight, that next morning it became very clear to me
16 that I was in a situation where the bank only had one thing in
17 mind. And that is to liquidate the company. I had to sit and
18 talk to my employees and explain to them that I could not pay
19 them.

20 So I spoke with and engaged Mr. DiConza, and he said that
21 I must protect the company.

22 Q. So it was on advice of counsel that you diverted --

23 MR. DICONZA: Your Honor --

24 Q. -- funds?

25 MR. DICONZA: -- Your Honor --

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1 THE COURT: Hang on.

2 MR. DICONZA: -- Mr. Smokovich, any conversations that
3 we've had should not divulge --

4 THE COURT: So stay away from the specifics, but I
5 think the general tenor has already been set.

6 MR. SILVERSTEIN: Understood.

7 Q. Mr. Smokovich, when you closed the account, how much money
8 was in it?

9 A. Approximately 55- or 60,000 dollars.

10 Q. What did you spend the 845,000 dollars on that was
11 previously in the account?

12 A. Payroll.

13 Q. Okay. How much was that?

14 A. I don't have an exact accounting, but let's say two weeks
15 or so.

16 Q. What's the week of payroll?

17 A. 35- to 37,000 per week.

18 Q. Okay, so that's about 70,000. Where --

19 A. Yes.

20 Q. -- where did the rest of the 800,000 go?

21 A. Went to pay the rent.

22 Q. Okay. Then, that's rent to --

23 A. Some utilities.

24 Q. -- to your wife's company?

25 A. That is correct.

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1 Q. Okay. Your wife's company is the landlord for the space
2 that you lease?

3 A. Yes.

4 Q. And is that -- and do you consider paying your wife's
5 company, is that a critical expense?

6 A. If you don't pay the --

7 MR. DICONZA: Your Honor, that's a legal question
8 whether or not the debtor is obligated to pay its rent. It's
9 not whether or not it's a critical expense.

10 THE COURT: Well, I don't think he was asking him if
11 it was a legal obligation. I think he was asking him if that
12 really needs to be paid right now.

13 MR. DICONZA: Well, it -- Your Honor, the landlord,
14 which is a company owned by his wife, also has a mortgage on
15 the premises. So if the rent is not paid, then the mortgage is
16 not paid.

17 MR. SILVERSTEIN: Is Mr. DiConza going to take the
18 stand next? It sounds like --

19 THE COURT: Before you all get too much more excited
20 about that, I'm not going to authorize payments to any insiders
21 or affiliates over the next nine days. So this started with
22 how much went to the landlord. It migrated to how much the
23 debtor wants to pay in the emergency setting, but I don't think
24 he answered the question, how much went to his wife's company
25 in the couple weeks before the filing.

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1 Q. How much did you pay in rent?

2 A. The lease calls for payments of -- monthly of 45,000, but
3 we've been paying a lot less than that. So 33- or 35,000 per
4 month.

5 Q. Where did the rest of the money go?

6 A. To pay our suppliers so that they would continue to fund
7 us.

8 Q. To fund you, did you say?

9 A. Yes, ship us and fund us with trade credit.

10 Q. So while your company was in distress and you were on the
11 verge of filing for bankruptcy, you were -- you bought about
12 700,000 dollars of new materials?

13 A. And not all new material; it was to encourage certain
14 vendors to ship more as well.

15 Q. And you have records somewhere that shows all the money
16 that came in and that went out?

17 A. Of course.

18 Q. And you haven't given that to Wells Fargo, correct?

19 A. Not so far.

20 Q. Right, you haven't -- you didn't tell Wells Fargo that you
21 had opened up an account at Citibank, did you?

22 A. No, I did not.

23 Q. You knew that the monies that went into the Citibank
24 account were supposed to go to Wells Fargo --

25 A. I was put in a very difficult position. I had a choice to

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1 make, and that is to have the company survive, where I have a
2 fiduciary responsibility to take care of that company, all of
3 its employees, its staff, and to demonstrate that the company
4 would be viable. I needed to do that, or else the company
5 would have gone out of business the way Wells was -- Wells
6 Fargo was driving the task.

7 Q. Do you have April financials?

8 A. I am in the process of finishing them, yes.

9 Q. You still have not finished your April financials?

10 A. They will be finished inside of twenty-four hours. I've
11 been quite busy.

12 Q. Within twenty-four hours, you'll have them done?

13 A. I believe so, yes.

14 Q. Do you have May financials?

15 A. Not yet, no. May financials are due -- although I'm not
16 sure we still have a relationship with Wells Fargo, according
17 to our old documents, they're due ninety days after the period
18 end.

19 Q. Now, let's talk about the financials that you attached to
20 your declaration.

21 You attached to your declaration financials for the period
22 ending on March 31st, 2016; is that right?

23 A. If you don't mind, I will have to look at that.

24 I have attached -- yes, I have attached that to the
25 declaration.

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1 Q. By the way, what do you have up there with you next to
2 you, or what's in your file?

3 A. This?

4 Q. What do you have next to you there?

5 A. This?

6 Q. Yes, what is it? What is that?

7 A. Notes.

8 Q. Notes of what?

9 A. How much money was needed for the next week.

10 MR. SILVERSTEIN: Your Honor, may we see the notes?

11 THE COURT: Have you referred to them in your
12 testimony?

13 Q. Did you refer --

14 THE COURT: Actually --

15 Q. -- to your notes?

16 A. Excuse me?

17 Q. Did you refer to your notes --

18 MR. DICONZA: Your Honor --

19 A. -- in the --

20 MR. DICONZA: -- I believe that Mr. Manning was
21 jotting down numbers while we were speaking with Stan Yang.
22 And that's how we came up with the 1.25 million dollars that's
23 needed. So that's what he's referring to.

24 THE COURT: Well, it doesn't matter who wrote them.
25 It matters if he looked at them while he was testifying. If he

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1 did, they can go up and look at them. It doesn't sound like
2 it's the key to the nuclear codes, so if you want to go over
3 and take a look at them, that's fine.

4 MR. SILVERSTEIN: If I may, Your Honor? May I
5 approach the witness?

6 THE COURT: Sure, absolutely.

7 MR. SILVERSTEIN: It has -- it appears to have a
8 breakdown in the expenses, so we'll -- is it okay if I bring
9 this back and ask Mr. Smokovich about it?

10 THE COURT: Why don't you just question him from there
11 so that you all can share the page?

12 MR. SILVERSTEIN: I'll come back. I want to just ask
13 him a couple more things before --

14 THE WITNESS: Okay.

15 MR. SILVERSTEIN: -- I get to the details of the next
16 week.

17 THE COURT: All right.

18 Q. Mr. Smokovich --

19 A. Yes.

20 Q. -- you attached the financials for the period ending March
21 31st, 2016 to your declaration?

22 A. I did.

23 Q. And did it show that your -- I'm sorry, when I say "your",
24 I mean Hi-Temp's -- the revenues for the ten months ending
25 with -- let me step back. I'm sorry.

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1 Your fiscal year is -- ends on May 31st, correct?

2 A. That is correct.

3 Q. All right. So where -- in the income statement, for
4 example, where it says "Year to Date", that's ten months of
5 financial activity, correct?

6 A. What page are you referring to?

7 Q. I'm referring to the income statement in your financials.

8 A. I believe I have them. There are a few pages of income
9 statements.

10 Q. There's a page entitled "Hi-Temp Specialty Metals, Inc.
11 Income Statement for the Month Ended March". It has for year-
12 to-date actual revenues of \$40,474,763 -- I'm sorry -- 783.35.
13 Do you see that?

14 A. I do.

15 Q. Okay. So for the first ten months of this most recent
16 fiscal year, the company had 40 million dollars of --
17 approximately 40.5 million dollars of revenues, correct?

18 A. That is correct.

19 Q. And for the year ending, you, the company, made about
20 forty-eight million dollars; is that correct?

21 A. I'm sorry, could you repeat the question?

22 Q. For 2016, the company made approximately forty-eight
23 million dollars in revenues, right?

24 A. I don't have -- know that number offhand; I'm sorry.

25 Q. Okay. But for the first ten months, it was approximately

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1 40.5 million dollars. And the cost of goods sold for those
2 40.5 million dollars of revenues was in excess of 35 million
3 dollars, correct?

4 A. That's correct.

5 Q. So your gross margin was about twelve percent for the
6 first ten months of the fiscal year, correct?

7 A. Yes. Please note that these numbers are unaudited
8 numbers; they're internal.

9 Q. Okay. So --

10 A. Thank you.

11 Q. -- of the approximately eighty-eight percent of the
12 company's expenses for the first ten months of last year went
13 to buying goods, correct?

14 A. I believe so, yes.

15 Q. Okay. So let's talk about the remaining expenses that are
16 not for purchasing goods.

17 You have operating expenses you've itemized, correct?

18 A. Yes.

19 Q. And for the first ten months of 2016, you had -- you, the
20 company, had operating expenses, excluding depreciation, of
21 approximately 4.5 million dollars; is that right?

22 A. Yes.

23 Q. Okay. So the -- for the first ten months of 2016, the
24 company was operating on a basis of approximately 450,000
25 dollars per month, correct?

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1 A. I don't understand the question; I'm sorry.

2 Q. For the first ten months of 2016, the company spent about
3 4.5 million dollars in total on operating expenses, correct?

4 A. Correct.

5 Q. So 4.5 million dollars divided by 10 months averages
6 approximately 450,000 dollars per month, correct?

7 A. Excluding depreciation, yes.

8 Q. Okay. And that's approximately 110,000 dollars per week
9 in out-of-pocket expenses, correct?

10 A. A little bit less, but yes.

11 Q. Okay. And that's the basis on which the company operated
12 for the first ten months of 2016, correct? I'm sorry, 2015.

13 A. I'm sorry, was --

14 Q. Is that --

15 A. -- that a question?

16 MR. SILVERSTEIN: I'll withdraw it.

17 Q. And let's talk about now the next period of time through
18 July 8th, okay?

19 So you're not asking for approximately 110,000 dollars to
20 operate your business between now and July 8th, right?

21 A. Could you repeat the question?

22 Q. You want 1- -- you want to use 1.25 million dollars
23 between now and July 8th; is that right?

24 A. That's correct.

25 Q. Okay. And there's 990,000 dollars that you're saying the

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1 company needs for -- to buy new materials?

2 A. Yes.

3 Q. And that's for sales that you've already received?

4 A. Correct.

5 Q. Okay. And --

6 A. I'm -- excuse me, not sales that I've received. I have
7 sales orders.

8 Q. You have sales orders? And what are the sales orders for?

9 A. To purchase material for Hi-Temp.

10 Q. What goods?

11 A. Across the board?

12 Q. Okay. Tell --

13 A. Tantalum --

14 Q. -- tell the Court what the board is?

15 A. The board is tantalum, tungsten, molybdenum, and oxides.

16 Q. And, in fact, of the fourteen million dollars or so of
17 inventory the company claims it has, the company has tantalum,
18 tungsten, molybdenum, correct? Right?

19 A. Yes, the company does possess those elements in inventory.

20 Q. Okay. Now, is it your testimony that of the approximately
21 fourteen million dollars of inventory that the company has,
22 including tantalum, tungsten, molybdenum, none of that can be
23 used to fill these orders?

24 A. That is not my testimony.

25 Q. Okay. How much of it can be used to fill these orders?

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1 A. For what material?

2 Q. For the sales that you're claiming you need to buy 990,000
3 dollars' worth of materials?

4 A. In general, or in specific for each item?

5 Q. To fill these orders -- how much are the sales orders?

6 A. We have going forward approximately twenty million dollars
7 in sales orders.

8 Q. There are sales orders that you're saying you need to buy
9 materials in order to fill, right?

10 A. That's correct.

11 Q. Okay.

12 A. As an ongoing business, you'll always buy material.

13 Q. But we're only focusing now on between now and July 8th.
14 What's critical for the company to spend, right?

15 A. Yes.

16 Q. So there are orders that are critical, in your view, for
17 the company to fill?

18 A. Correct.

19 Q. And the orders need to be filled by when?

20 A. July.

21 Q. When?

22 A. Throughout the month of July.

23 Q. What --

24 A. Some now. Molybdenum, tantalum, very little tungsten.

25 Q. So what's the total number of the sales orders that need

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1 to be filled?

2 A. For what period of time?

3 Q. The period of time for which you need to buy, so you say,
4 990,000 dollars of materials?

5 A. It's actually a fact, it's not what I say. We have sales
6 orders in place.

7 Q. What are the total --

8 A. What happens --

9 Q. -- of those sales orders?

10 A. What happens -- what happens is some of the material takes
11 four to six weeks to deliver. And if I don't order it now, I
12 will have to then ship it by air for a specific panel of ingot,
13 which we don't have much in inventory, for which I have
14 approximately 6,000 pounds of sales in the month of late June
15 and July. I need money for that.

16 Q. So you placed the orders already?

17 A. The orders were placed before this occurrence.

18 Q. Okay. So this is just a matter of when these vendors need
19 to be paid, is that what you're saying?

20 A. No, it's a matter of filling sales orders. I don't have
21 the material, so I have to pay to get the material.

22 Q. Okay. So --

23 A. It's not a question of when I pay the vendors.

24 Q. All right. So in order for it -- there's 990,000 dollars
25 of material that is -- that need to be paid for in order to

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1 fill orders, is that right?

2 A. Certain orders, yes.

3 Q. Okay. What is the total amount of the certain orders that
4 need to be sourced?

5 A. Approximately three million dollars.

6 Q. Well, you have 3 million dollars of orders and you need
7 900,000 dollars of material to fill them; is that what you're
8 saying?

9 A. No, I'm sorry. Some of the inventory is on hand, I
10 misspoke. Thank you.

11 Q. Well --

12 A. Some of the inventory is on hand to fill the orders.

13 Q. For the order -- I'm just trying to figure out, Mr.
14 Smokovich, for the orders that you say you need 900,000 dollars
15 of materials, what is the total amount of those orders for
16 which you need -- for which you don't currently have sourcing?

17 A. Approximately two million. Thank you.

18 Q. All right. So -- and of the two million dollars of sales
19 orders, that's -- that -- those sale orders are at
20 approximately twelve percent gross margin?

21 A. Some of them are higher, thank you.

22 Q. But there's a --

23 A. What's going on in the marketplace is that -- and the
24 corollary you try to draw that ten-months history is going to
25 predict the future isn't the case today, because there's been

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1 some expansion in the margin over the past few months. So the
2 margins are improving and they will be improving, other than
3 having to liquidate inventory as Wells Fargo insisted I do.

4 Q. And that's speculation, right?

5 A. No.

6 Q. You're speculating on what's going to happen in the
7 market?

8 A. No, I'm speaking about existing sales orders, and my
9 ability to purchase today.

10 Q. Okay. So of the fourteen million dollars that you have --
11 the company has in inventory, the company does not have enough
12 material of tantalum, tungsten, and molybdenum to fill these
13 sales orders; is that right?

14 A. Could you be a bit more specific, that's a little unclear?

15 Q. Of the sales orders that you need money now to fill -- the
16 fourteen million dollars of inventory that you claim you have
17 isn't enough to fill those orders now, right?

18 A. Not entirely because, as I said before, we don't have
19 certain material on hand.

20 Q. Okay. And do you have orders for these fourteen million
21 dollars of inventory?

22 A. Not all of it, but some of it, yes.

23 Q. Some of it, how much -- how many orders do you have for
24 which you currently have inventory that you can fill?

25 A. I would say approximately half.

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1 Q. So you have orders right now of --

2 A. Going forward, yes.

3 Q. -- for seven million dollars of inventory?

4 A. Approximately.

5 Q. And this is inventory that's been sitting in your
6 warehouse for some time, correct?

7 A. Not necessarily, no.

8 Q. So you can move half of your inventory within some
9 relatively near period of time; is that right?

10 A. Could you repeat that?

11 Q. You can ship inventory -- you can sell inventory, half
12 your inventory, within a relatively near period of time?

13 A. I didn't say that, no.

14 Q. Well, when are the orders going to be filled?

15 A. They take place over time. I have more than twenty
16 million dollars in sales orders over the next year-and-a-half
17 to two.

18 Q. A commitment to make sales orders, or you actually have
19 the orders in hand?

20 A. Orders in hand.

21 Q. Okay. But you don't have -- so you have more sales orders
22 than you have materials to sell?

23 A. That's correct.

24 Q. Okay.

25 MR. SILVERSTEIN: So now, Your Honor, if I may just go

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1 over and look at the pad?

2 THE COURT: All right.

3 MR. SILVERSTEIN: Thank you.

4 THE WITNESS: For your information, I didn't even look
5 at that yet, but if you want to make -- if you're going to ask
6 me questions about it, I haven't seen it.

7 Q. Well, so you didn't refer to this at all?

8 A. No.

9 MR. SILVERSTEIN: Your Honor, I'm not sure what Your
10 Honor's views are on whether it's appropriate for me to
11 question.

12 THE COURT: The evidentiary rule is if you use it to
13 refresh his recollection, then you can look at it. If you
14 didn't use it, then you don't get to look at it. So it doesn't
15 sound particularly germane.

16 MR. SILVERSTEIN: I'm sorry; I didn't hear that, Your
17 Honor. It does sound?

18 THE COURT: It doesn't sound germane.

19 MR. SILVERSTEIN: All right.

20 Q. Mr. Smokovich, I think you said that you had very strong
21 collections activity? I wrote that down, those were words that
22 you used.

23 A. Could you repeat the words that I used?

24 Q. I wrote down you used the words that your collections are
25 very strong?

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1 A. That was in reference to having survived any losses from
2 nonpayments from customers I think.

3 Q. Well, I think you were -- the context that I recall it in
4 was that you were being asked about how likely it is that this
5 money is going to come in in the next period of time --

6 A. Yes.

7 Q. -- the 1.5 million dollars?

8 A. Yes. So in the context of that period of time, the answer
9 is yes. But I don't want to speculate about the future.

10 Q. Okay. And when you prepared your projections that you
11 submitted in support of your cash collateral application --

12 A. Yes.

13 Q. -- you assumed strong collections?

14 A. I assumed collections based on a reasonableness.

15 Q. And who prepared the projections?

16 A. Which projections are you referring to?

17 Q. The thirteen-week projections that you submitted in part
18 of --

19 A. Oh, okay.

20 Q. -- as part of your cash collateral application.

21 A. I prepared them with the assistance of Mr. Jeffrey
22 Manning, internal staff. And original support from Caliber.

23 Q. All right.

24 A. Caliber was a consultant working with us.

25 Q. And you're confident in these projections?

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1 A. As confident as one can be in projections, yes.

2 Q. I just want to ask you about the collections that you're
3 projecting. Do you have the collections -- do you have the
4 projections in front of you?

5 A. Cash collection, projected 6/24/2016, week one --

6 Q. Yes.

7 A. -- it starts with? Yes.

8 Q. So you've projected through week one about 511,000 dollars
9 and change? 311,000, I'm sorry, my eyes --

10 A. I'm sorry, repeat that?

11 Q. You projected approximately 311,000 dollars and change?

12 A. Correct.

13 Q. And week two is approximately 520,000 dollars and change;
14 is it 420?

15 A. I'm sorry, you lost me.

16 Q. The second week, could you -- what are you projecting?

17 A. Are you talking --

18 THE COURT: Are you looking at -- hang on.

19 A. What number are you on?

20 Q. I'm sorry, domestic accounts receivable.

21 THE COURT: Mr. Silverstein, hang on. Are you looking
22 at the cash collateral thirteen-week projection?

23 MR. SILVERSTEIN: Yes.

24 THE COURT: Starting with June 24, 2016?

25 MR. SILVERSTEIN: Yes.

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1 THE COURT: You asked him about the collective receipt
2 line?

3 MR. SILVERSTEIN: Yes. The domestic collection
4 receipt line.

5 THE COURT: Just domestic?

6 MR. SILVERSTEIN: Pardon?

7 THE COURT: The budget the Court has for week one
8 shows 311,000 domestic, 531,000 foreign, for total projected
9 week one receipts of 843,000. I just want to make sure we're
10 all looking at the same sheet of paper.

11 MR. SILVERSTEIN: Yes.

12 Q. Is that what you have, Mr. Smokovich?

13 A. Yes, I believe so now. Thank you.

14 Q. All right. So, Mr. Smokovich, I've added up the totality
15 of the domestic receivables that you projected. And by my math
16 it comes out to approximately 1.3 million dollars in the next
17 ninety-one days?

18 A. In the next how many?

19 Q. Ninety-one days. Looking at these numbers, and adding
20 them up, you projected collections of 1.3 million dollars of
21 receivables in the next ninety-one days, right?

22 MR. DICONZA: Do you need a calculator?

23 A. I'm doing the math, so give me a moment.

24 I quickly add 1.1 million.

25 Q. Okay. Now, as of the one week before the very first

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1 projection, the company had approximately three million dollars
2 of domestic accounts receivable, correct?

3 A. I can't say.

4 MR. SILVERSTEIN: Your Honor, if I may, I'd like to
5 just show the witness the last borrowing day certificate that
6 was provided to Wells Fargo, which itemizes the various
7 collateral categories.

8 THE COURT: All right, what's the date?

9 MR. SILVERSTEIN: June 17th. I have copies for the
10 Court and for counsel. May I approach, Your Honor?

11 THE COURT: Yes.

12 THE WITNESS: Thank you.

13 Q. I'm looking at the first page of what I just handed to
14 you, the daily collateral report, Mr. Smokovich?

15 A. Yes.

16 Q. Do you see that?

17 A. This page?

18 Q. Yes.

19 A. Yes.

20 Q. And this is a document that the company prepared and
21 provided to Wells Fargo, correct?

22 A. Yes.

23 Q. And as of June 17th, the company had domestic accounts
24 receivable that reported over three million dollars?

25 A. I see.

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1 Q. Is that right?

2 A. Yes.

3 Q. And you projected that of that 3 million dollars in
4 receivables, within the next ninety-one days 1.1 million
5 dollars would be collected?

6 A. That's what it says, yes.

7 Q. So that is -- is that a strong collection activity that
8 you're referring to?

9 A. I can't say, because I didn't prepare this daily
10 collateral report.

11 Q. Well --

12 A. So our customers pay according to term, and I'm presuming
13 this was done according to term.

14 Q. All right. Well, so you have terms where customers pay
15 well in excess of ninety day?

16 A. Ninety days.

17 Q. But this thirteen-week budget is ninety-one days?

18 A. Okay.

19 Q. Of the 3 million dollars in domestic accounts receivable,
20 your projection is that you'll collect 1.1 million dollars of
21 domestic receivables, right?

22 A. That's correct.

23 Q. Okay. Now let's look at foreign. Again, I've done the
24 math with a calculator, but if you add up your existing foreign
25 receivables, which is the third row, I came to 810,000 dollars.

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1 Do you have any reason to disagree with that?

2 A. Could you repeat the number that you came up with?

3 Q. I had -- I came up with 810,215 dollars.

4 A. Okay.

5 Q. And that's the collection foreign cash receivable that you
6 were projecting to be collected in the next ninety-one days,
7 correct?

8 A. Correct.

9 Q. And as of one week before your first projection, the
10 company had foreign accounts receivables of approximately 1.9
11 million dollars?

12 A. I see that.

13 Q. So the math comes out roughly the same for both domestic
14 and the foreign; in the next ninety days, you were projecting
15 collections of approximately forty-two or forty-three percent
16 of the receivables?

17 A. Yes. Being conservative, I presume, my staff did.

18 Q. But you have a great confidence that the 1.5 million
19 dollars will come in?

20 A. Excuse me?

21 Q. You have great confidence that the 1.5 million dollars
22 will come in?

23 A. What 1.5 million are you referring to?

24 Q. The 1.5 million dollars that you were so -- reflects the
25 very strong collections activity that you're confident will

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1 come in the next three weeks?

2 A. Are you referring to projected cash flow 6/24, 7/1 and
3 7/8?

4 Q. I'm referring to what you --

5 A. If you're referring to those, yes, I'm comfortable that
6 that will happen.

7 Q. Okay. Now, Mr. Smokovich, while you were putting money
8 within the Citibank accounts, within the two weeks prior to --
9 I'm sorry. While you were direct -- asking that money be
10 placed into the Citibank account, within the two weeks prior to
11 the bankruptcy filing, isn't it true that you were in
12 negotiations with Wells Fargo over the terms of further
13 forbearance?

14 MR. DICONZA: Your Honor, if he wants the witness to
15 testify about settlement discussions, then I'd ask the witness
16 to be careful, because those are privileged.

17 THE COURT: Is it relevant?

18 MR. SILVERSTEIN: The relevance, Your Honor, is the
19 activity of Mr. Smokovich while he's having good faith
20 negotiations with his lender, and yet diverting the money into
21 the account.

22 MR. DICONZA: Objection, Your Honor, with the phrase
23 "diversion".

24 THE COURT: Well, whatever you all were talking about
25 or not talking about on the record, there was about a million

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1 dollars of collections that went through Citibank in the three
2 months prior to the filing. I'm not sure beyond that how much
3 of it is relevant today.

4 Q. Of that --

5 A. I'm sorry, I didn't hear --

6 Q. -- amount that went in within two weeks --

7 A. -- I didn't -- I'm sorry, I didn't hear the judge's
8 response.

9 THE COURT: In the three months prior to the filing,
10 the company ran about a million dollars through the Citibank
11 account?

12 THE WITNESS: Yes.

13 Q. And of that million dollars, most of that came -- 900,000
14 of that came within two weeks before the bankruptcy filing,
15 correct?

16 A. That's correct. After I was given very strong indications
17 that Wells Fargo was no longer going to fund the operations of
18 Hi-Temp Specialty Metals.

19 Q. Now between now and July 8th, there's 990,000 dollars that
20 you -- that the company wants to use to buy inventory -- or
21 goods, correct?

22 A. For orders which we have pending, yes.

23 Q. Okay. And that was another approximately 230,000 dollars
24 the company needs above that?

25 A. I don't understand the question.

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1 Q. You're asking for -- you're -- the company believes it
2 needs 1.25 million dollars between now and July 8th; am I
3 correct?

4 A. That's correct.

5 Q. These are expenses that are essential?

6 A. That's correct.

7 Q. 990,000 dollars is essential to buy new goods?

8 A. Give or take, yes.

9 Q. So there's another 235,000 dollars that the company
10 essentially needs between now and July 8th, right?

11 A. I think -- I'm not sure what that means, I'm sorry.

12 Q. What's the difference between the 1.25 million dollars
13 that you're asking for and the cost of the inventory?

14 A. Oh, no, I know the difference, but I don't know what
15 you're referring to at 235,000.

16 Q. Well, I'm asking you to tell me what you're referring to,
17 what is the money going for?

18 A. I think all the other essential items that we listed on --

19 Q. Tell me what they are, and what amount?

20 A. Okay. Freight and duties, commissions.

21 Q. So let's stop.

22 A. Yes.

23 Q. How -- what -- freight and duties, how much money?

24 A. In this case we had projected for the first week freight
25 and duties, 45,000 dollars for two weeks.

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1 Q. So -- well, one week has gone -- which -- what week are
2 you looking at, Mr. Smokovich?

3 A. I was looking at 6/24, 7/1 and 7/8. So we can say 7/1 and
4 7/8 weeks, 37,000 dollars.

5 Q. 37,000 dollars in freight and duty?

6 A. Yes.

7 Q. Okay. What else?

8 A. 100,000 dollars for -- oh, I'm sorry, 73,000 dollars for
9 vendors and other critical vendors.

10 Q. And what are the critical vendors?

11 MR. DICONZA: Your Honor, the 73 for the critical
12 vendors is not part of the 1.25 million dollars, Your Honor.
13 This happened quickly as we were rushing into the court, Your
14 Honor, the 1.25 million dollars. Perhaps if we have a minute
15 with Mr. Smokovich, to go over --

16 THE COURT: To run back -- you ran through it with him
17 before the cross started, so --

18 MR. DICONZA: Right, Your Honor, and it consisted of
19 the 35,000 in payroll, 25,000 in insurance, 117,000 in
20 conversions costs --

21 UNIDENTIFIED SPEAKER: 60,000 in shipping.

22 MR. DICONZA: And 60,000 in shipping and freight
23 duties. That's what we had agreed to with the U.S. Trustee in
24 the conference room beforehand, Your Honor.

25 Q. And, Mr. Smokovich, is that your understanding, what your

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1 counsel just said, what the money is needed for?

2 A. I'm sorry, I couldn't hear it all, so -- I was trying to.

3 THE COURT: Do you have the list in front of you?

4 THE WITNESS: Yes.

5 THE COURT: You want to tick down through it --
6 through the list by item line?

7 Q. Mr. Smokovich, you need 35,000 for payroll?

8 A. That's correct, 36,000.

9 Q. And 37,000 dollars for insurance?

10 A. Yes, and a little bit more because -- yes, let's say
11 35,000.

12 Q. Okay. And 117,000 dollars for conversion costs?

13 A. That's correct.

14 Q. And conversion costs are what?

15 A. As I spoke earlier, we have certain material that need to
16 be upgraded and converted into a form that can be purchased by
17 our customers, and we have sold that material. This is
18 something that we worked on with Caliber for a period of time,
19 that Wells Fargo had seen our presentation and support it.

20 THE COURT: Is that a third-party outsource?

21 THE WITNESS: Excuse me?

22 THE COURT: Is that a third-party outsource?

23 THE WITNESS: Yes.

24 Q. So you have sales for this material that you now need to
25 convert?

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1 A. Yes. At Wells Fargo's urging, we did this.

2 Q. And 60,000 dollars in shipping and freight duties?

3 A. Approximately, yes.

4 Q. Okay. And these --

5 A. But for the --

6 Q. Do you have a breakdown, Mr. Smokovich, of when these
7 goods need to be delivered?

8 A. Of course I do. Not in my hands, but of course we do.

9 Q. So you have somewhere, you can identify when the goods
10 needs to be delivered to the customers?

11 A. Yes. But freight and duty is not necessarily just
12 outgoing, it could be incoming as well.

13 Q. Okay.

14 MR. SILVERSTEIN: Your Honor, may I just have a few
15 moments?

16 THE COURT: Yes.

17 (Pause)

18 Q. Mr. Smokovich, I'm sorry, take your time and get some
19 water. Between now and July 7th, what orders do you need to
20 fill?

21 A. I have -- I would have to speak offhand, because I don't
22 have every one of them in my head. But we have approximately
23 one container load of molybdenum to fill. Approximately 6,000
24 pounds of tantalum ingot to fill. Approximately 4,500 pounds
25 of high grade oxide to fill. And somewhat less in the form of

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1 high quality, let's call orgrade (ph.) material.

2 Q. So because you said your vendors have four to six-week
3 delivery time, right, to --

4 A. Yes.

5 Q. Right. What -- in order to fill these orders between now
6 and July 7th --

7 A. Yes.

8 Q. -- how much goods do you have to pay for for only those
9 orders?

10 A. Oh, that's a good question, because I have to air those in
11 now. I appreciate that. To fill these orders between now and
12 July 8th, I have to air freight this material from Asia. And
13 that's the intention.

14 Q. How much of the 990,000 dollars of goods that you need to
15 fill orders needs to be filled for a customer between now and
16 July 8th?

17 A. All of it.

18 Q. So to -- I thought you said that the orders were at
19 different times in July?

20 A. Yes.

21 Q. So I'm only asking for the orders that need to be filled
22 before July 8th?

23 A. Yes, I --

24 Q. How much of that 990,000 dollars of goods is needed to
25 fill the orders between now and July 8th, nothing after that?

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1 A. Oh --

2 Q. So before when you said that the orders were at all times
3 in July, was really all times between now and July 8th?

4 A. No, because if I don't place those orders and pay for
5 goods, I won't have material for the future.

6 Q. So it's -- you're stockpiling inventory for the future?

7 A. Not stockpiling, no, I didn't say that. I will not get --

8 Q. Did you buy inventory for the future?

9 A. No, I did not say that. I -- what I'm trying to say is
10 that if I don't purchase this material, I will have orders --
11 purchase orders canceled by my suppliers. And then that stuff,
12 it takes four to six weeks as a material that I will be
13 purchasing in the future according to my forecasts.

14 MR. SILVERSTEIN: Your Honor, I think at this point, I
15 don't know what -- we could put the Wells Fargo witness on, or
16 what Your Honor's intentions are?

17 THE COURT: I'm going to give the U.S. Trustee, and
18 then the debtor opportunity if they want to ask this witness
19 any other questions.

20 MR. YANG: Your Honor, I don't have any questions for
21 this witness.

22 THE COURT: Mr. DiConza, any cleanup?

23 MR. DICONZA: Just one question, Your Honor.

24 REDIRECT EXAMINATION

25 BY MR. DICONZA:

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1 Q. Mr. Smokovich, counsel for Wells Fargo referred to a daily
2 collateral report, do you still have a copy of that?

3 A. I'm sorry?

4 Q. The daily collateral report?

5 A. This report here?

6 Q. Yeah.

7 A. Yes.

8 Q. And based on that report as of June 17th, the company had
9 approximately five million in receivables and sixteen million
10 in inventory?

11 A. Yes.

12 Q. As of the petition date, what do you believe the numbers
13 would be?

14 A. Today, probably fifteen to sixteen million dollars in
15 inventory, and approximately four million dollars in accounts
16 receivable.

17 Q. And how much equipment does the company have, and what is
18 the value of that equipment by the premises?

19 A. I'm glad you asked that question, because you have to look
20 at the value of equipment in a number of ways. I know we
21 purchased equipment, actually financed it. And when we had
22 paid off all of those, the cost of the equipment was seven
23 million dollars. And depending on the scenario that you apply,
24 you can determine the value of the material. Now, in place,
25 one can argue as an ongoing business the material is worth, but

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1 I should say the equipment is worth four or five million
2 dollars. On a liquidation basis, perhaps two million dollars.

3 Q. The budget that was prepared and attached to the cash
4 collateral motion, who supplied the initial draft of that
5 budget?

6 A. For the --

7 Q. The cash collateral budget, the thirteen --

8 A. Oh, yes, that was originally, as I said earlier, by
9 Caliber.

10 Q. Okay. And did you subsequently review that with
11 CohnReznick and Mr. Manning?

12 A. Yes.

13 Q. And there was a question posed to you about the actual
14 collections that you anticipate receiving over the next ninety
15 million dollars based on the --

16 UNIDENTIFIED SPEAKER: Days.

17 Q. Excuse me, over the next ninety days, based on the
18 approximately five million in receivables, and that you only
19 expect to receive a little less than fifty percent of that.
20 The projections in the budget, are they conservative?

21 A. Yes.

22 Q. And when you and Mr. Manning went over these budgets, was
23 there a concern about a potential bankruptcy impact upon the
24 filing, and that may hurt the collection --

25 A. Yes.

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1 Q. And that's why you estimated the receipts over the next
2 ninety days at the amount that they are?

3 A. That is correct, thank you.

4 Q. Thank you.

5 THE COURT: You can step down. Mr. Smokovich, you can
6 leave the witness stand, take your papers with you.

7 All right, given the time, I'm prepared to give you
8 all the ruling on the emergency application for use of cash
9 collateral. Unfortunately, we don't have time to start into
10 and get the testimony of the Wells Fargo representative. So
11 I'm going to give you a ruling on the emergency request as
12 follows:

13 The Court has some concerns about Mr. Smokovich's
14 handle on the witness stand on the particulars of the purchase
15 orders that are in hand, how much inventory the debtor has on
16 hand that can actually be used to fill the current orders, and
17 how much inventory is potentially being purchased to shelve, if
18 you will, for future purchases. It appeared to the Court that
19 in order to avoid immediate and irreparable harm to the debtor
20 pending the hearing on July 7th, the Court would authorize use
21 of cash collateral as follows:

22 The Court will authorize the debtor to use 500,000
23 dollars of collections between now and the July 7th hearing.
24 None of that 500,000 dollars is to be paid to insiders, or
25 affiliates, in any capacity. Whether they're employees,

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1 commissioned sales agents, landlord, et cetera. No money to
2 insiders or affiliates pending the July 7th hearing.

3 The debtor's only authorized to buy material for the
4 current purchase orders that it does not have on hand. No
5 restocking the shelves, Mr. Smokovich. You can purchase
6 material that you don't have to fill orders that you do have,
7 because that would be what would be necessary to avoid
8 irreparable harm to the estate.

9 The debtor's going to be required -- the debtor is
10 required to provide to Wells Fargo all of the purchase orders
11 that it currently has for which it has made a request for use
12 of cash collateral.

13 The debtor and the bank can certainly agree to exceed
14 the 500,000-dollar cap if it appears to the lender that there's
15 a benefit to filling orders that would require more than
16 500,000 dollars to be used, both in the lender and the debtor's
17 best interest to do so. So it's a hard cap in terms of the
18 debtor's unilateral right to use, but it's a soft cap in terms
19 of the lender agreeing to exceed the cap to fill other orders
20 that are on hand.

21 No critical vendors as listed on the debtor's budget,
22 can be paid. No professional fees can be paid out of the
23 500,000 dollars. The debtor obviously needs to make some
24 budgeting decisions within that money, so on the record, the
25 debtor had outlined within the line items of the budget,

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1 conversion costs related to, and then the document cuts off.
2 But the witness testified as to what that meant, which the
3 Court understood to be third-party outsourcing of certain
4 changes or upgrades, or processing to be done of material that
5 is to be sold, freight and duties, payroll taxes, and
6 associated benefits, commissions and insurance payment.

7 So in addition to purchases of material that is not
8 currently on hand, the debtor may make expenditures within
9 those specific categories. And, again, it's going to need to
10 make some decisions on how to allocate the 500,000 dollars
11 among the purchases and those categories. That's all pending
12 the July 7th hearing. The Court is not disallowing the use of
13 any requests that are in the budget, those are simply being
14 carried over to the July 7 hearing, except for the items that I
15 outlined today the money could not be used for.

16 The debtor's also required to provide a full
17 accounting to Wells Fargo of all funds that were collected
18 through, and spent out of the Citibank account pre-petition, as
19 well as providing an accounting of all post-petition activity
20 to date. There are no secrets in bankruptcy, the debtor needs
21 to be transparent with the use of funds coming in, the use of
22 funds going out, and the expenditures out of the pre-petition
23 Citibank account need to be provided to the bank. Where it
24 goes, if anywhere, will be for a later day, but the bank
25 certainly needs to know what happened to the million dollars,

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1 and the debtor shouldn't have any reservations about providing
2 that information. If it does, they're overruled anyway.

3 In terms of adequate protection, the Court will grant
4 to Wells Fargo a replacement lien on all unencumbered property
5 of the bankruptcy estate, excluding avoidance actions. Wells
6 Fargo will also have the 507(a) fail for protection lien,
7 should this adequate protection fail it will have the rights
8 under 507(a).

9 I'm going to ask Mr. DiConza and Mr. Silverstein, that
10 you all prepare a form of order consistent with this ruling.
11 Keep it short. If you all can't agree on something short, I've
12 got a three-pager sitting in the hopper that I'm more than
13 happy to put in place.

14 I am going to so-order the calendar that this is the
15 relief, because there's a fairly high probability that I won't
16 be able to sign an order before the debtor starts spending this
17 cash. So I so-order the calendar with this relief.

18 All right, anything else for today on Hi-Temp?

19 MR. SILVERSTEIN: The only other matter, Your Honor,
20 I'm not sure we need a court order, is just that we do want, if
21 we're not able to resolve things further than July 8th --
22 before July 8th, we do want Mr. Smokovich and some other
23 people's depositions between now and then, so that the
24 proceeding on July 8th will be more efficient for Judge
25 Scarcella.

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1 THE COURT: All right. Well, you're in a contested
2 matter now, so the issue isn't whether you can; the issue is
3 when will you. So I'll leave the parties to work out a
4 specific date, place and time, other than the intervening
5 Saturday, Sunday and Monday, between now and then.

6 MR. SILVERSTEIN: There's one other matter, Your
7 Honor. Wells Fargo is entitled to and would like to have a
8 field examiner go and inspect the collateral, and we think
9 that's appropriate between now and July 8th as well.

10 THE COURT: All right. Any issue with that, Mr.
11 DiConza?

12 MR. DICONZA: Your Honor, they were there last week.
13 If they want to show up again --

14 THE COURT: All right. I can understand the reasons
15 why they want to do it, and I can't imagine it's a very
16 exciting tour, but they certainly should have the ability to
17 send someone in and look around, and see what's there. And
18 this doesn't sound to be the kind of business that would be
19 disrupted by having a reasonable inspection during regular
20 business hours by a representative of Wells Fargo.

21 MR. DICONZA: Can we limit it to an hour or so?

22 THE COURT: I don't know how much time it takes to
23 actually inspect a facility of this kind. And I can't imagine
24 it's the most exciting project to be undertaken either. So
25 whatever --

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1 MR. SILVERSTEIN: Without commenting on how exciting
2 the field exams are or not, but I'm told, Your Honor, that the
3 field examiner was sent away last week when he went to the
4 debtor's premises. So --

5 THE COURT: Back when you all were holding hands and
6 singing Kumbaya, how long did the field inspection take? Three
7 hours, four hours, a day?

8 MR. SILVERSTEIN: May I have Mr. Forte (ph.) of Wells
9 Fargo address that, Your Honor?

10 THE COURT: Sure.

11 MR. FORTE: Well, it depends. I mean, the field
12 examiner is going to want to look at inventory, look at
13 receive -- look at the cash receipts, cash disbursement
14 activities. So I would frankly say if there was one examiner
15 the examiner could spend two or three days here. I mean,
16 there's a lot going on.

17 MR. SILVERSTEIN: Is that customary?

18 MR. FORTE: That's less than customary.

19 THE COURT: All right. Seven person hours. So if you
20 send one, it's seven; if you send two, it's three-and-a-half.
21 You all can do the math. So seven person hours on site. And
22 this is pending -- this is between now and July 7th.

23 All right. If the debtor is going to provide an
24 updated budget, and if you're working with the budget that
25 there is, that's fine. But in fairness to the parties, the

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1 Court and Judge Scarcella, if there's to be any updated budget,
2 that should be docketed with the Court by 4 o'clock on July
3 5th, as well as any supplemental pleadings. I'm not saying
4 he -- Judge Scarcella needs anymore paper, but if you're all
5 going to file more paper by July 5th at 4 p.m.

6 Mr. Yang, when is the 341 meeting?

7 MR. YANG: It's sometime in August I believe.

8 UNIDENTIFIED SPEAKER: Unfortunately, I don't think
9 it's -- either in July -- I think maybe July 20.

10 THE COURT: The IDI.

11 UNIDENTIFIED SPEAKER: IDI would be much sooner.

12 THE COURT: All right.

13 UNIDENTIFIED SPEAKER: But we don't usually get much
14 information. The schedule hasn't been filed either.

15 THE COURT: All right. So I'll look for the order --

16 UNIDENTIFIED SPEAKER: It's on the 22nd of July, the
17 341 --

18 THE COURT: That's on at 11, right?

19 THE CLERK: Yes.

20 THE COURT: All right. So we'll look for the order to
21 be submitted. And please include in that a continued interim
22 hearing. This is not a final hearing, the continued interim
23 hearing will be July 11th -- July 7th at 11 a.m. That's not a
24 final, that's a further interim. All right.

25 MR. DICONZA: Thank you for your time, Your Honor.

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1 THE COURT: All right. Very well, thank you all.

2 IN UNISON: Thank you, Your Honor.

3 THE COURT: The Court will then be in recess on Hi-
4 Temp, and we'll be adjourned.

5 IN UNISON: Thank you.

6 (Whereupon these proceedings were concluded at 1:35 PM)

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C E R T I F I C A T I O N

I, Aliza Chodoff, certify that the foregoing transcript is a true and accurate record of the proceedings.



ALIZA CHODOFF

AAERT Certified Electronic Transcriber CET**D-634

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700 West 192nd Street, Suite #607

New York, NY 10040

Date: June 29, 2016

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Case No. 8-16-72767-las

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HI-TEMP SPECIALTY METALS, INC.
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Exhibit B

Wells Fargo Email Authorizing and Revoking Payroll

Gerard DiConza

From: Joseph Smokovich <joesmokov@aol.com>
Sent: Tuesday, May 31, 2016 7:16 PM
To: Gerard DiConza
Subject: Fwd: Advance Request \$100,121.24

First message approving the advance

Sent from my iPhone

Begin forwarded message:

From: <jim.kelly@wellsfargo.com>
Date: May 31, 2016 at 12:40:28 PM EDT
To: <kdluginski@hi-tempmetals.com>
Cc: <joesmokov@aol.com>, <John.Erwin@wellsfargo.com>, <barbara.albano@wellsfargo.com>, <madge.lallo@wellsfargo.com>, <jbreazzano@calibregroupplc.com>
Subject: RE: Advance Request \$100,121.24

Ok to process Kristin.

From: Kristin Dluginski [<mailto:kdluginski@hi-tempmetals.com>]
Sent: Tuesday, May 31, 2016 11:10 AM
To: Kelly, James A
Cc: joesmokov@aol.com; Erwin, John; Albano, Barbara M.; Lallo, Madeline M.; Jeremy Breazzano
Subject: Advance Request \$100,121.24

Kristin Dluginski, Controller



Hi-Temp Specialty Metals, Inc.
355 Sills Road
Yaphank, NY 11980
631-775-8750
kdluginski@hi-tempmetals.com

Gerard DiConza

From: Joseph Smokovich <joesmokov@aol.com>
Sent: Tuesday, May 31, 2016 7:15 PM
To: Gerard DiConza
Subject: Fwd: Forbearance Agreement Extension

Second message from bank cancelling the approval which misled us

Sent from my iPhone

Begin forwarded message:

From: <jim.kelly@wellsfargo.com>
Date: May 31, 2016 at 6:48:26 PM EDT
To: <joesmokov@aol.com>
Cc: <John.Erwin@wellsfargo.com>, <john.brady@wellsfargo.com>, <kdluginski@hi-tempmetals.com>
Subject: FW: Forbearance Agreement Extension

Joe,

We have not received satisfactory responses from you to John Erwin's email to you below. Since we do not yet have an acceptable structure to extend the Bank's forbearance agreement against existing defaults beyond today, 5/31/16, your advance request of \$100,121.24 for today was not processed.

We remain interested in working with you to obtain a mutually acceptable resolution, and I'm sure we'll be speaking in the morning in an effort to resolve the company's funding issues.

Thanks,

Jim

James A. Kelly
Wells Fargo Capital Finance
1 South Broad Street, Y1375-031
Philadelphia, PA 19107
(267) 321-6685 (Phone)
(856) 404-4993 (Cell)
(267) 321-6741 (Fax)

From: Erwin, John
Sent: Friday, May 27, 2016 4:23 PM
To: Joseph Smokovich
Cc: Toby Kreidler; Kelly, James A; Brady, John P.
Subject: Forbearance Agreement Extension

Joe:

Following up to our conversation, you know by now that we approved Hi-Temp's funding request for today. We approved today's advance request even though daily advance requests by Hi-Temp continue to be entirely discretionary since our Forbearance Agreement expired on May 20th.

Wells Fargo offered you a proposal for a possible extension of the Forbearance Agreement on May 25th (subject to final credit approval and satisfactory documentation), and in conjunction with that proposal, we requested your personal financial statement and the buy sell agreement for the Willingboro real estate, both of which documents would be required for a possible credit approval of our May 25th proposal. Further, we gave you verbal notice on Monday May 23rd, and again on May 25th, that we request an answer from you by Tuesday, May 31st as to whether you accept our proposal.

To date, we have received neither your personal financial statement, nor the buy sell agreement for Willingboro. You have explained that you want more time to speak with advisors, and that you intend to reply to us by May 31st as to whether our proposal for an extension of your Forbearance Agreement is acceptable.

To reiterate, we request your response by May 31st as we are becoming increasingly uncomfortable funding with an expired Forbearance Agreement. We need to know whether or not we have a workable agreement for an extension to your Forbearance Agreement by Tuesday, May 31st.

As I mentioned on our earlier call, I am available all weekend and over the Memorial Day holiday if anyone wants to speak further about any aspect of our proposal. You can reach me by cell or email. Thank you.

Regards,

John

John D. Erwin

Senior Vice President - Portfolio Manager

Wells Fargo Capital Finance | One South Broad Street | PNB Building, 3rd Floor | Philadelphia, Pa. 19107

(p) 267-321-7729 | (c) 215-764-7658

Exhibit C

Accounting Non-Wells Fargo Account

Confidential Memorandum

To: Wells Fargo Representatives

From: Howard Konicov, CohnReznick Partner

Date: July 5, 2016

Re: Status of Citibank and TD North Bank Account (together "the Accounts") Investigation

Introduction

CohnReznick representatives Howard Konicov and Ying Zheng visited the Company's offices on June 30th, July 1st and July 5th to perform certain procedures in connection with the Accounts. Management provided us with a chronological record of each transaction, noting the transaction date, payee or source of the funds, the general ledger account associated with the transaction, and other explanatory notes to the extent available. Management also provided bank statements for the relevant periods, and bank reconciliations prepared monthly. Based on the information provided, CohnReznick compiled Exhibit A, which presents a detailed and summarized form of the sources of uses of the cash affecting the Accounts.

This memorandum presents a status report of CohnReznick's ongoing investigation of the Accounts as of July 5, 2016.

Procedures Performed

1. The transactions were summarized and totaled on Exhibit A, based on their general ledger account coding. The general ledger coding assigned by the Company was reviewed for consistency and appropriateness.
2. Timely prepared bank reconciliations and accompanying bank statements were examined, and determined to be competently prepared. This information provided assurance that the transactions affecting the Accounts were recorded on the books.
3. On a test basis, the Accounts' transactions as recorded on Exhibit A were traced and agreed to the bank statements noting consistency between the records. In addition, and on a test basis, transactions recorded on the bank statements were traced and agreed to information on Exhibit A.
4. Cash disbursements to accounts payable vendors amount to \$899,508¹. In examination of these disbursements, CohnReznick performed the following procedures:
 - a. CohnReznick obtained the underlying vendor invoices, shipping and receiving documentation, and noted that the paid vendors are recorded on the accounts payable subsidiary ledgers and legitimate inventory suppliers.
 - b. CohnReznick interviewed Joseph Smokovich and Kristin Dluginski to determine the nature of these payments. Specifically, CohnReznick noted whether the payments were

¹ Disbursed from the Citibank operating bank account.

exchanged contemporaneously for materials, used to pay existing recorded obligations, or deposits/advance payment on future receipts of inventory.

Findings and Observations

1. The Accounts' cash disbursements were for the benefit of the Company's operations and business, and CohnReznick noted no transactions that indicated otherwise.
2. Insider and related party disbursement payments were noted:
 - a. Happy Precious Metal Co. Ltd. ("Happy") is purportedly a 100% owned by Joseph Smokovich. Based on responses to CohnReznick's inquiries, Happy is based in Hong Kong and was formed to allow for the purchase and sales of scrap material in the Asian market to remain competitive. Happy's profit on its sales is sufficient to satisfy certain local expenses. Accordingly, the Company's cost of the materials acquired from Happy is no greater than Happy's acquisition cost. Happy takes delivery of materials, inspects and samples, and then ships thus avoiding the lead time that would be required if shipment was made to the United States. Happy also has the ability to procure customer relationships which the Company benefits from.
 - b. From the Accounts, the Company paid Happy approximately \$325,000, of which \$95,000 was an advance deposit towards a future purchase. CohnReznick was informed that Happy grants the Company credit terms, in those circumstances whereby Happy is provided credit from its suppliers.
 - c. \$35,000 was paid to Valerie Realty, the owner of the real estate in which the Company operates.
3. The Company's restructuring professionals CohnReznick Capital Markets Securities, LLC. and Diconza Trauig Kadish LLP was paid \$50,000 and \$39,217, respectively.

HI-Temp Specialty Metals, Inc.																
Review of Non-Wells Fargo Bank Account Activities																
Date	Name	Memo	1009 · Citibank													
			Sources				Uses									Citibank Total Net Transactions
			1101 · Accounts Receivable-Trade	1102 · Accounts Receivable - Misc	2320 · Unearned Revenue	Citibank Total Sources	1005 · Cash-TD Bank Payroll	1012 · TD BANK OPERATING DIP	2000 · Accounts Payable	2320 · Unearned Revenue	4030 · Freight Out	5407 · Professional Fees	5409 · Bank Charges	5501 · Rent	Citibank Total Usese	
03/01/2016	HI-TEMP SPECIALTY	PPE 02 27 2016														
03/01/2016	TD Bank Payroll	Wire Fee														
03/02/2016	TD Bank Payroll	PPE 02 27 2015														
03/02/2016	TD Bank Payroll	PPE 02 27 2016														
03/03/2016	TD Bank Payroll	401k match catch-up 1/1/2016 to 1/30/2016														
03/08/2016	HI-TEMP SPECIALTY	PPE 03 05 2016														
03/08/2016	TD Bank Payroll	Wire Fee														
03/09/2016	TD Bank Payroll	PPE 03 05 2016														
03/09/2016	TD Bank Payroll	PPE 03 5 2016														
03/11/2016	PAYCHEX	14337118														
03/14/2016	HI-TEMP SPECIALTY	PPE 03 12 2016														
03/14/2016	TD Bank Payroll	Wire Fee														
03/15/2016	TD Bank Payroll	PPE 03 12 2016														
03/21/2016	HI-TEMP SPECIALTY	PPE 03 19 2016														
03/21/2016	TD Bank Payroll	Wire Fee														
03/22/2016	TD Bank Payroll	PPE 03 19 2016														
03/28/2016	HI-TEMP SPECIALTY	PPE 03 26 2016														
03/28/2016	Metallurgical Products	Wire from Metallurgical Products			113,966	113,966										
03/28/2016	TD Bank Payroll	Wire Fee														
03/29/2016	Citi Bank	Wire Fee											(14)		(14)	
03/29/2016	TD Bank Payroll	PPE 03 26 2016														
03/30/2016	Citi Bank	Deposit in Citibank		32,039		32,039										
03/31/2016	TD Bank	PaperSTMT3/31/16														
03/31/2016	TD Bank Payroll	MAR 2016 O/S P/R CKS														
04/01/2016	Citi Bank	Wire Fee											(27)		(27)	
04/01/2016	Metallurgical Products	Wire to Metallurgical Products								(113,966)				(113,966)		
04/04/2016	HI-TEMP SPECIALTY	PPE 04 02 2016														
04/04/2016	TD Bank Payroll	Wire Fee														
04/05/2016	TD Bank Payroll	PPE 04 02 2016														
04/12/2016	HI-TEMP SPECIALTY	PPE 04 09 2016														
04/12/2016	TD Bank Payroll	Wire Fee														
04/13/2016	TD Bank Payroll	PPE 04 09 2016														
04/15/2016	PAYCHEX	14484088														
04/19/2016	Citi Bank	Wire Fee											(27)		(27)	
04/19/2016	HI-TEMP SPECIALTY	PPE 04 16 2016														
04/19/2016	Metallurgical Products	Freight - Metallurgical Products									(1,221)			(1,221)		
04/19/2016	TD Bank Payroll	Wire Fee														
04/20/2016	TD Bank Payroll	PPE 04 16 2016														
04/25/2016	HI-TEMP SPECIALTY	PPE 04 23 2016														
04/25/2016	TD Bank Payroll	Wire Fee														
04/26/2016	TD Bank Payroll	PPE 04 23 2016														
04/29/2016	TD Bank	4/29/15-Statement Fee														
04/30/2016	TD Bank Payroll	APR 2016 O/S P/R CKS														
05/03/2016	HI-TEMP SPECIALTY	PPE 04 30 2016														
05/03/2016	TD Bank Payroll	Wire Fee														
05/06/2016	TD Bank Payroll	PPE 04 30 2016														
05/09/2016	HI-TEMP SPECIALTY	PPE 05 07 2016														
05/09/2016	TD Bank Payroll	Wire Fee														
05/11/2016	TD Bank Payroll	PPE 05 07 2016														
05/13/2016	PAYCHEX	14621021														
05/16/2016	HI-TEMP SPECIALTY	PPE 05 14 2016														
05/16/2016	TD Bank Payroll	Wire Fee														
05/17/2016	TD Bank Payroll	PPE 05 14 2016														

Hi-Temp Specialty Metals, Inc.																
Review of Non-Wells Fargo Bank Account Activities																
Date	Name	Memo	1009 - Citibank													
			Sources				Uses									Citibank Total Net Transactions
			1101 - Accounts Receivable-Trade	1102 - Accounts Receivable - Misc	2320 - Unearned Revenue	Citibank Total Sources	1005 - Cash-TD Bank Payroll	1012 - TD BANK OPERATING DIP	2000 - Accounts Payable	2320 - Unearned Revenue	4030 - Freight Out	5407 - Professional Fees	5409 - Bank Charges	5501 - Rent	Citibank Total Usese	
05/23/2016	HI-TEMP SPECIALTY	PPE 05212016														
05/23/2016	TD Bank Payroll	Wire Fee														
05/24/2016	SG Recycling Inc.	INV17736	1,400			1,400										1,400
05/25/2016	Citi Bank	Wire Fee												(17)	(17)	(17)
05/25/2016	Diconza Traurig Kaish LLP	Diconza Traurig Kaish LLP										(20,000)			(20,000)	(20,000)
05/25/2016	TD Bank Payroll	PPE 05 21 2016														
05/31/2016	AMERICAN EXPRESS	Prepayment of Amex														
05/31/2016	HI-TEMP SPECIALTY	PPE 05 28 2016														
05/31/2016	TD Bank	Bank Fee 5/31/16														
05/31/2016	TD Bank Payroll	MAY 2016 O/S P/R CKS														
05/31/2016	TD Bank Payroll	Wire Fee														
06/01/2016	TD Bank Payroll	PPE 05 28 2016														
06/03/2016	Citi Bank	Wire Fee												(17)	(17)	(17)
06/03/2016	Diconza Traurig Kaish LLP	Diconza Traurig Kaish LLP										(10,000)			(10,000)	(10,000)
06/03/2016	Yano Metals Co., Ltd.	INV17692 & 17709	344,450			344,450										344,450
06/06/2016	Citi Bank	Funds Transfer														
06/06/2016	Citi Bank	Wire Fee												(75)	(75)	(75)
06/06/2016	Happy Precious Metal Co LTD	PO3648 INHP16-06001							(230,000)						(230,000)	(230,000)
06/06/2016	HI-TEMP SPECIALTY	PPE 06 06 16														
06/06/2016	Payroll	Wire to Payroll account					(35,000)								(35,000)	(35,000)
06/06/2016	TD Bank Payroll	Wire Fee														
06/06/2016	Valerie Realty	Wire to Valerie Realty												(35,000)	(35,000)	(35,000)
06/07/2016	Citi Bank	Wire Fee											(27)		(27)	(27)
06/07/2016	Globe Metal	PO3653 & 3634-2							(168,876)						(168,876)	(168,876)
06/07/2016	Western Australia Specialty Alloys	INV17621, 17657, 17677, 17679	357,599			357,599										357,599
06/08/2016	Certified Alloy Products	INV17626	16,900			16,900										16,900
06/08/2016	Citi Bank	Wire Fee											(14)		(14)	(14)
06/08/2016	Pacific Particulate Ltd.	INV17689	17,190			17,190										17,190
06/08/2016	TD Bank Payroll	PPE 06 04 2016														
06/09/2016	Citi Bank	Wire Fee											(28)		(28)	(28)
06/09/2016	Hickman Williams & Company	INV17668	58,802			58,802										58,802
06/09/2016	Yano Metals Co., Ltd.	INV17692 & 17709	117,790			117,790										117,790
06/10/2016	AURORA - GLENCORE	Deposit			15,204	15,204										15,204
06/10/2016	Citi Bank	Glencore wired Hi-Temp in error											(14)		(14)	(14)
06/10/2016	Citi Bank	Wire Fee											(14)		(14)	(14)
06/13/2016	AURORA - GLENCORE	RETURN OF FUNDS TO AURORA - GLENCORE WIRED HITEMP IN ERROR								(15,204)					(15,204)	(15,204)
06/13/2016	Certified Alloy Products	INV17633	73,500			73,500										73,500
06/13/2016	Citi Bank	Wire Fee											(58)		(58)	(58)
06/13/2016	HI-TEMP SPECIALTY	PPE 06 11 16														
06/13/2016	LKAB Minerals	PO3616-2 INV80118 R-12225							(355,420)						(355,420)	(355,420)
06/13/2016	PAYCHEX	14762894														
06/13/2016	TD Bank Payroll	Wire Fee														
06/14/2016	Citi Bank	Wire Fee											(31)		(31)	(31)
06/14/2016	TD Bank Payroll	PPE 6/11/16														
06/14/2016	TD Bank Payroll	PPE 6/11/2016														
06/14/2016	Tosoh SMD Inc.	PO3614 INVCD184348 R-12133							(50,000)						(50,000)	(50,000)
06/15/2016	Ross & Catherall	INV17639	136,557			136,557										136,557
06/17/2016	Citi Bank	Funds Transfer														
06/17/2016	Citi Bank	Wire Fee											(95)		(95)	(95)
06/17/2016	COHN REZNICK	COHN REZNICK										(25,000)			(25,000)	(25,000)
06/17/2016	DICONZA TRAURIG KADISH LLP	DICONZA TRAURIG KADISH LLP										(7,500)			(7,500)	(7,500)
06/17/2016	Happy Precious Metal Co LTD	PO3645-1 INV7BD PPD							(95,212)						(95,212)	(95,212)
06/17/2016	Payroll	Wire to Payroll account					(37,500)								(37,500)	(37,500)

Prepared on: 7/5/2016

Hi-Temp Specialty Metals, Inc.									
Review of Non-Wells Fargo Bank Account Activities									
			1012 - TD BANK OPERATING DIP						
			Sources				Uses		TD Bank Operating DIP Total Net Transactions
			1009 - Citibank	1101 - Accounts Receivable-Trade	1401 - Employee Loan	TD Bank Operating DIP Total Sources	2000 - Accounts Payable	TD Bank Operating DIP Total Uses	
Date	Name	Memo							
03/01/2016	HI-TEMP SPECIALTY	PPE 02 27 2016							
03/01/2016	TD Bank Payroll	Wire Fee							
03/02/2016	TD Bank Payroll	PPE 02 27 2015							
03/02/2016	TD Bank Payroll	PPE 02 27 2016							
03/03/2016	TD Bank Payroll	401k match catch-up 1/1/2016 to 1/30/2016							
03/08/2016	HI-TEMP SPECIALTY	PPE 03 05 2016							
03/08/2016	TD Bank Payroll	Wire Fee							
03/09/2016	TD Bank Payroll	PPE 03 05 2016							
03/09/2016	TD Bank Payroll	PPE 03 5 2016							
03/11/2016	PAYCHEX	14337118							
03/14/2016	HI-TEMP SPECIALTY	PPE 03 12 2016							
03/14/2016	TD Bank Payroll	Wire Fee							
03/15/2016	TD Bank Payroll	PPE 03 12 2016							
03/21/2016	HI-TEMP SPECIALTY	PPE 03 19 2016							
03/21/2016	TD Bank Payroll	Wire Fee							
03/22/2016	TD Bank Payroll	PPE 03 19 2016							
03/28/2016	HI-TEMP SPECIALTY	PPE 03 26 2016							
03/28/2016	Metallurgical Products	Wire from Metallurgical Products							
03/28/2016	TD Bank Payroll	Wire Fee							
03/29/2016	Citi Bank	Wire Fee							
03/29/2016	TD Bank Payroll	PPE 03 26 2016							
03/30/2016	Citi Bank	Deposit in Citibank							
03/31/2016	TD Bank	PaperSTMT3/31/16							
03/31/2016	TD Bank Payroll	MAR 2016 O/S P/R CKS							
04/01/2016	Citi Bank	Wire Fee							
04/01/2016	Metallurgical Products	Wire to Metallurgical Products							
04/04/2016	HI-TEMP SPECIALTY	PPE 04 02 2016							
04/04/2016	TD Bank Payroll	Wire Fee							
04/05/2016	TD Bank Payroll	PPE 04 02 2016							
04/12/2016	HI-TEMP SPECIALTY	PPE 04 09 2016							
04/12/2016	TD Bank Payroll	Wire Fee							
04/13/2016	TD Bank Payroll	PPE 04 09 2016							
04/15/2016	PAYCHEX	14484088							
04/19/2016	Citi Bank	Wire Fee							
04/19/2016	HI-TEMP SPECIALTY	PPE 04 16 2016							
04/19/2016	Metallurgical Products	Freight - Metallurgical Products							
04/19/2016	TD Bank Payroll	Wire Fee							
04/20/2016	TD Bank Payroll	PPE 04 16 2016							
04/25/2016	HI-TEMP SPECIALTY	PPE 04 23 2016							
04/25/2016	TD Bank Payroll	Wire Fee							
04/26/2016	TD Bank Payroll	PPE 04 23 2016							
04/29/2016	TD Bank	4/29/15-Statement Fee							
04/30/2016	TD Bank Payroll	APR 2016 O/S P/R CKS							
05/03/2016	HI-TEMP SPECIALTY	PPE 04 30 2016							
05/03/2016	TD Bank Payroll	Wire Fee							
05/06/2016	TD Bank Payroll	PPE 04 30 2016							
05/09/2016	HI-TEMP SPECIALTY	PPE 05 07 2016							
05/09/2016	TD Bank Payroll	Wire Fee							
05/11/2016	TD Bank Payroll	PPE 05 07 2016							
05/13/2016	PAYCHEX	14621021							
05/16/2016	HI-TEMP SPECIALTY	PPE 05 14 2016							
05/16/2016	TD Bank Payroll	Wire Fee							
05/17/2016	TD Bank Payroll	PPE 05 14 2016							

Hi-Temp Specialty Metals, Inc.									
Review of Non-Wells Fargo Bank Account Activities									
			1012 - TD BANK OPERATING DIP						
			Sources				Uses		TD Bank Operating DIP Total Net Transactions
			1009 - Citibank	1101 - Accounts Receivable-Trade	1401 - Employee Loan	TD Bank Operating DIP Total Sources	2000 - Accounts Payable	TD Bank Operating DIP Total Uses	
Date	Name	Memo							
05/23/2016	HI-TEMP SPECIALTY	PPE 05212016							
05/23/2016	TD Bank Payroll	Wire Fee							
05/24/2016	SG Recycling Inc.	INV17736							
05/25/2016	Citi Bank	Wire Fee							
05/25/2016	Diconza Traurig Kaish LLP	Diconza Traurig Kaish LLP							
05/25/2016	TD Bank Payroll	PPE 05 21 2016							
05/31/2016	AMERICAN EXPRESS	Prepayment of Amex							
05/31/2016	HI-TEMP SPECIALTY	PPE 05 28 2016							
05/31/2016	TD Bank	Bank Fee 5/31/16							
05/31/2016	TD Bank Payroll	MAY 2016 O/S P/R CKS							
05/31/2016	TD Bank Payroll	Wire Fee							
06/01/2016	TD Bank Payroll	PPE 05 28 2016							
06/03/2016	Citi Bank	Wire Fee							
06/03/2016	Diconza Traurig Kaish LLP	Diconza Traurig Kaish LLP							
06/03/2016	Yano Metals Co., Ltd.	INV17692 & 17709							
06/06/2016	Citi Bank	Funds Transfer							
06/06/2016	Citi Bank	Wire Fee							
06/06/2016	Happy Precious Metal Co LTD	PO3648 INHP16-06001							
06/06/2016	HI-TEMP SPECIALTY	PPE 06 06 16							
06/06/2016	Payroll	Wire to Payroll account							
06/06/2016	TD Bank Payroll	Wire Fee							
06/06/2016	Valerie Realty	Wire to Valerie Realty							
06/07/2016	Citi Bank	Wire Fee							
06/07/2016	Globe Metal	PO3653 & 3634-2							
06/07/2016	Western Australia Specialty Alloys	INV17621, 17657, 17677, 17679							
06/08/2016	Certified Alloy Products	INV17626							
06/08/2016	Citi Bank	Wire Fee							
06/08/2016	Pacific Particulate Ltd.	INV17689							
06/08/2016	TD Bank Payroll	PPE 06 04 2016							
06/09/2016	Citi Bank	Wire Fee							
06/09/2016	Hickman Williams & Company	INV17668							
06/09/2016	Yano Metals Co., Ltd.	INV17692 & 17709							
06/10/2016	AURORA - GLENCORE	Deposit							
06/10/2016	Citi Bank	Glencore wired Hi-Temp in error							
06/10/2016	Citi Bank	Wire Fee							
06/13/2016	AURORA - GLENCORE	RETURN OF FUNDS TO AURORA - GLENCORE WIRED HITEMP IN ERROR							
06/13/2016	Certified Alloy Products	INV17633							
06/13/2016	Citi Bank	Wire Fee							
06/13/2016	HI-TEMP SPECIALTY	PPE 06 11 16							
06/13/2016	LKAB Minerals	PO3616-2 INV80118 R-12225							
06/13/2016	PAYCHEX	14762894							
06/13/2016	TD Bank Payroll	Wire Fee							
06/14/2016	Citi Bank	Wire Fee							
06/14/2016	TD Bank Payroll	PPE 6/11/16							
06/14/2016	TD Bank Payroll	PPE 6/11/2016							
06/14/2016	Tosoh SMD Inc.	PO3614 INVCD184348 R-12133							
06/15/2016	Ross & Catherall	INV17639							
06/17/2016	Citi Bank	Funds Transfer							
06/17/2016	Citi Bank	Wire Fee							
06/17/2016	COHN REZNICK	COHN REZNICK							
06/17/2016	DICONZA TRAURIG KADISH LLP	DICONZA TRAURIG KADISH LLP							
06/17/2016	Happy Precious Metal Co LTD	PO3645-1 INVTBD PPD							
06/17/2016	Payroll	Wire to Payroll account							

Hi-Temp Specialty Metals, Inc.									
Review of Non-Wells Fargo Bank Account Activities									
			1012 - TD BANK OPERATING DIP						
			Sources				Uses		TD Bank Operating DIP Total Net Transactions
			1009 - Citibank	1101 - Accounts Receivable-Trade	1401 - Employee Loan	TD Bank Operating DIP Total Sources	2000 - Accounts Payable	TD Bank Operating DIP Total Uses	
Date	Name	Memo							
06/17/2016	TD Bank Payroll	Wire Fee							100 100,000
06/21/2016	TD Bank Payroll	PPE 6/18/2016							
06/22/2016	Citi Bank	Wire Fee							
06/22/2016	COHN REZNICK	COHN REZNICK							
06/22/2016	DICONZA TRAURIG KADISH LLP	DICONZA TRAURIG KADISH LLP							
06/23/2016	Employee Loan	Deposit			100	100			
06/24/2016	Cronimet Specialty Metals USA	CG1620113		100,000		100,000			
06/24/2016	TD Bank Payroll	Funds Transfer							
06/24/2016	Transfer	Closing of Citibank; Deposit into TD DIP							
06/24/2016	Transfer	Funds Transfer	58,306			58,306			
06/27/2016	TD Bank Payroll	Funds Transfer							283,284 304,964 73,500 (547) 85,944 140,000 335,335
06/27/2016	TD Bank Payroll	O/S P/R CKS AT CLOSING OF ACCT							
06/29/2016	TD Bank Payroll DIP	PPE 06 25 2016							
06/30/2016	Precision Castparts Corp	INV17486 & 17711		283,284		283,284			
07/01/2016	Carpenter Technology Corp.	INV		304,964		304,964			
07/01/2016	Certified Alloy Products	INV		73,500		73,500			
07/01/2016	GENERAL WELDING	00650532-00					(547)	(547)	
07/01/2016	Pacific Particulate Ltd.	INV		85,944		85,944			
07/02/2016	Special Metals Corp.	INV		140,000		140,000			
07/05/2016	Western Australia Specialty Alloys	INV		335,335		335,335			
Grand Total			58,306	1,323,027	100	1,381,432	(547)	(547)	1,380,886

Hi-Temp Specialty Metals, Inc.															
Review of Non-Wells Fargo Bank Account Activities															
Date	Name	Memo	1005 - Cash-TD Bank Payroll												
			Sources				Uses								TD Bank Payroll Total Net Transactions
			1005 - Cash-TD Bank Payroll	1009 - Citibank	2000 - Accounts Payable	TD Bank Payroll Total Sources	1005 - Cash-TD Bank Payroll	1013 - TD BANK PAYROLL DIP	2000 - Accounts Payable	2201 - Wages and p/r taxes Payable	5101 - Plant Wages	5409 - Bank Charges	5524 - Pension	TD Bank Payroll Total Uses	
03/01/2016	HI-TEMP SPECIALTY	PPE 02 27 2016			38,500	38,500									38,500
03/01/2016	TD Bank Payroll	Wire Fee										(15)		(15)	(15)
03/02/2016	TD Bank Payroll	PPE 02 27 2015								(38,572)				(38,572)	(38,572)
03/02/2016	TD Bank Payroll	PPE 02 27 2016									(118)			(118)	(118)
03/03/2016	TD Bank Payroll	401k match catch-up 1/1/2016 to 1/30/2016											-	-	-
03/08/2016	HI-TEMP SPECIALTY	PPE 03 05 2016			36,500	36,500									36,500
03/08/2016	TD Bank Payroll	Wire Fee										(15)		(15)	(15)
03/09/2016	TD Bank Payroll	PPE 03 05 2016								(33,985)				(33,985)	(33,985)
03/09/2016	TD Bank Payroll	PPE 03 5 2016									(94)			(94)	(94)
03/11/2016	PAYCHEX	14337118							(40)					(40)	(40)
03/14/2016	HI-TEMP SPECIALTY	PPE 03 12 2016			34,200	34,200									34,200
03/14/2016	TD Bank Payroll	Wire Fee										(15)		(15)	(15)
03/15/2016	TD Bank Payroll	PPE 03 12 2016								(35,251)	(93)			(35,344)	(35,344)
03/21/2016	HI-TEMP SPECIALTY	PPE 03 19 2016			37,600	37,600									37,600
03/21/2016	TD Bank Payroll	Wire Fee										(15)		(15)	(15)
03/22/2016	TD Bank Payroll	PPE 03 19 2016								(37,474)	(95)			(37,569)	(37,569)
03/28/2016	HI-TEMP SPECIALTY	PPE 03 26 2016			33,200	33,200									33,200
03/28/2016	Metallurgical Products	Wire from Metallurgical Products													
03/28/2016	TD Bank Payroll	Wire Fee										(15)		(15)	(15)
03/29/2016	Citi Bank	Wire Fee													
03/29/2016	TD Bank Payroll	PPE 03 26 2016								(33,199)	(96)			(33,295)	(33,295)
03/30/2016	Citi Bank	Deposit in Citibank													
03/31/2016	TD Bank	PaperSTMT3/31/16							(2)					(2)	(2)
03/31/2016	TD Bank Payroll	MAR 2016 O/S P/R CKS	3,841			3,841	(3,841)							(3,841)	-
04/01/2016	Citi Bank	Wire Fee													
04/01/2016	Metallurgical Products	Wire to Metallurgical Products													
04/04/2016	HI-TEMP SPECIALTY	PPE 04 02 2016			33,000	33,000									33,000
04/04/2016	TD Bank Payroll	Wire Fee										(15)		(15)	(15)
04/05/2016	TD Bank Payroll	PPE 04 02 2016								(32,979)	(120)			(33,099)	(33,099)
04/12/2016	HI-TEMP SPECIALTY	PPE 04 09 2016			32,900	32,900									32,900
04/12/2016	TD Bank Payroll	Wire Fee										(15)		(15)	(15)
04/13/2016	TD Bank Payroll	PPE 04 09 2016								(34,808)	(96)			(34,904)	(34,904)
04/15/2016	PAYCHEX	14484088							(40)					(40)	(40)
04/19/2016	Citi Bank	Wire Fee													
04/19/2016	HI-TEMP SPECIALTY	PPE 04 16 2016			35,500	35,500									35,500
04/19/2016	Metallurgical Products	Freight - Metallurgical Products													
04/19/2016	TD Bank Payroll	Wire Fee										(15)		(15)	(15)
04/20/2016	TD Bank Payroll	PPE 04 16 2016								(36,602)	(112)			(36,714)	(36,714)
04/25/2016	HI-TEMP SPECIALTY	PPE 04 23 2016			36,800	36,800									36,800
04/25/2016	TD Bank Payroll	Wire Fee										(15)		(15)	(15)
04/26/2016	TD Bank Payroll	PPE 04 23 2016								(36,174)	(96)			(36,270)	(36,270)
04/29/2016	TD Bank	4/29/15-Statement Fee							(2)					(2)	(2)
04/30/2016	TD Bank Payroll	APR 2016 O/S P/R CKS	1,820			1,820	(1,820)							(1,820)	-
05/03/2016	HI-TEMP SPECIALTY	PPE 04 30 2016			34,300	34,300									34,300
05/03/2016	TD Bank Payroll	Wire Fee										(15)		(15)	(15)
05/06/2016	TD Bank Payroll	PPE 04 30 2016								(34,131)	(120)			(34,251)	(34,251)
05/09/2016	HI-TEMP SPECIALTY	PPE 05 07 2016			32,800	32,800									32,800
05/09/2016	TD Bank Payroll	Wire Fee										(15)		(15)	(15)
05/11/2016	TD Bank Payroll	PPE 05 07 2016								(32,787)	(96)			(32,883)	(32,883)
05/13/2016	PAYCHEX	14621021							(40)					(40)	(40)
05/16/2016	HI-TEMP SPECIALTY	PPE 05 14 2016			36,500	36,500									36,500
05/16/2016	TD Bank Payroll	Wire Fee										(15)		(15)	(15)
05/17/2016	TD Bank Payroll	PPE 05 14 2016								(36,119)	(96)			(36,215)	(36,215)

Hi-Temp Specialty Metals, Inc.															
Review of Non-Wells Fargo Bank Account Activities															
Date	Name	Memo	1005 - Cash-TD Bank Payroll												
			Sources				Uses								TD Bank Payroll Total Net Transactions
			1005 - Cash-TD Bank Payroll	1009 - Citibank	2000 - Accounts Payable	TD Bank Payroll Total Sources	1005 - Cash-TD Bank Payroll	1013 - TD BANK PAYROLL DIP	2000 - Accounts Payable	2201 - Wages and p/r taxes Payable	5101 - Plant Wages	5409 - Bank Charges	5524 - Pension	TD Bank Payroll Total Uses	
05/23/2016	HI-TEMP SPECIALTY	PPE 05212016			32,300	32,300									32,300
05/23/2016	TD Bank Payroll	Wire Fee										(15)		(15)	(15)
05/24/2016	SG Recycling Inc.	INV17736													
05/25/2016	Citi Bank	Wire Fee													
05/25/2016	Diconza Traurig Kaish LLP	Diconza Traurig Kaish LLP													
05/25/2016	TD Bank Payroll	PPE 05 21 2016								(32,820)	(96)			(32,916)	(32,916)
05/31/2016	AMERICAN EXPRESS	Prepayment of Amex							(5,643)					(5,643)	(5,643)
05/31/2016	HI-TEMP SPECIALTY	PPE 05 28 2016			30,100	30,100									30,100
05/31/2016	TD Bank	Bank Fee 5/31/16								(2)				(2)	(2)
05/31/2016	TD Bank Payroll	MAY 2016 O/S P/R CKS	1,461			1,461	(1,461)							(1,461)	-
05/31/2016	TD Bank Payroll	Wire Fee										(15)		(15)	(15)
06/01/2016	TD Bank Payroll	PPE 05 28 2016								(24,992)	(118)			(25,111)	(25,111)
06/03/2016	Citi Bank	Wire Fee													
06/03/2016	Diconza Traurig Kaish LLP	Diconza Traurig Kaish LLP													
06/03/2016	Yano Metals Co., Ltd.	INV17692 & 17709													
06/06/2016	Citi Bank	Funds Transfer		35,000		35,000									35,000
06/06/2016	Citi Bank	Wire Fee													
06/06/2016	Happy Precious Metal Co LTD	PO3648 INHP16-06001													
06/06/2016	HI-TEMP SPECIALTY	PPE 06 06 16			31,000	31,000									31,000
06/06/2016	Payroll	Wire to Payroll account													
06/06/2016	TD Bank Payroll	Wire Fee										(30)		(30)	(30)
06/06/2016	Valerie Realty	Wire to Valerie Realty													
06/07/2016	Citi Bank	Wire Fee													
06/07/2016	Globe Metal	PO3653 & 3634-2													
06/07/2016	Western Australia Specialty Alloys	INV17621, 17657, 17677, 17679													
06/08/2016	Certified Alloy Products	INV17626													
06/08/2016	Citi Bank	Wire Fee													
06/08/2016	Pacific Particulate Ltd.	INV17689													
06/08/2016	TD Bank Payroll	PPE 06 04 2016								(29,990)	(95)			(30,085)	(30,085)
06/09/2016	Citi Bank	Wire Fee													
06/09/2016	Hickman Williams & Company	INV17668													
06/09/2016	Yano Metals Co., Ltd.	INV17692 & 17709													
06/10/2016	AURORA - GLENCORE	Deposit													
06/10/2016	Citi Bank	Glencore wired Hi-Temp in error													
06/10/2016	Citi Bank	Wire Fee													
06/13/2016	AURORA - GLENCORE	RETURN OF FUNDS TO AURORA - GLENCORE WIRED HITEMP IN ERROR													
06/13/2016	Certified Alloy Products	INV17633													
06/13/2016	Citi Bank	Wire Fee													
06/13/2016	HI-TEMP SPECIALTY	PPE 06 11 16			33,400	33,400									33,400
06/13/2016	LKAB Minerals	PO3616-2 INV80118 R-12225													
06/13/2016	PAYCHEX	14762894							(40)					(40)	(40)
06/13/2016	TD Bank Payroll	Wire Fee										(15)		(15)	(15)
06/14/2016	Citi Bank	Wire Fee													
06/14/2016	TD Bank Payroll	PPE 6/11/16									(96)			(96)	(96)
06/14/2016	TD Bank Payroll	PPE 6/11/2016								(33,433)				(33,433)	(33,433)
06/14/2016	Tosoh SMD Inc.	PO3614 INVCD184348 R-12133													
06/15/2016	Ross & Catherall	INV17639													
06/17/2016	Citi Bank	Funds Transfer		37,500		37,500									37,500
06/17/2016	Citi Bank	Wire Fee													
06/17/2016	COHN REZNICK	COHN REZNICK													
06/17/2016	DICONZA TRAURIG KADISH LLP	DICONZA TRAURIG KADISH LLP													
06/17/2016	Happy Precious Metal Co LTD	PO3645-1 INVTBD PPD													
06/17/2016	Payroll	Wire to Payroll account													

Hi-Temp Specialty Metals, Inc.															
Review of Non-Wells Fargo Bank Account Activities															
Date	Name	Memo	1005 - Cash-TD Bank Payroll												
			Sources				Uses								TD Bank Payroll Total Net Transactions
			1005 - Cash-TD Bank Payroll	1009 - Citibank	2000 - Accounts Payable	TD Bank Payroll Total Sources	1005 - Cash-TD Bank Payroll	1013 - TD BANK PAYROLL DIP	2000 - Accounts Payable	2201 - Wages and p/r taxes Payable	5101 - Plant Wages	5409 - Bank Charges	5524 - Pension	TD Bank Payroll Total Uses	
06/17/2016	TD Bank Payroll	Wire Fee										(15)		(15)	(15)
06/21/2016	TD Bank Payroll	PPE 6/18/2016								(33,285)	(96)			(33,381)	(33,381)
06/22/2016	Citi Bank	Wire Fee													
06/22/2016	COHN REZNICK	COHN REZNICK													
06/22/2016	DICONZA TRAURIG KADISH LLP	DICONZA TRAURIG KADISH LLP													
06/23/2016	Employee Loan	Deposit													
06/24/2016	Cronimet Specialty Metals USA	CG1620113													
06/24/2016	TD Bank Payroll	Funds Transfer						(41,380)						(41,380)	(41,380)
06/24/2016	Transfer	Closing of Citibank; Deposit into TD DIP													
06/24/2016	Transfer	Funds Transfer													
06/27/2016	TD Bank Payroll	Funds Transfer						(486)						(486)	(486)
06/27/2016	TD Bank Payroll	O/S P/R CKS AT CLOSING OF ACCT	498			498	(498)							(498)	-
06/29/2016	TD Bank Payroll DIP	PPE 06 25 2016													
06/30/2016	Precision Castparts Corp	INV17486 & 17711													
07/01/2016	Carpenter Technology Corp.	INV													
07/01/2016	Certified Alloy Products	INV													
07/01/2016	GENERAL WELDING	00650532-00													
07/01/2016	Pacific Particulate Ltd.	INV													
07/02/2016	Special Metals Corp.	INV													
07/05/2016	Western Australia Specialty Alloys	INV													
Grand Total			7,620	72,500	548,600	628,720	(7,620)	(41,866)	(5,809)	(576,603)	(1,734)	(270)	-	(633,901)	(5,181)

Hi-Temp Specialty Metals, Inc.									
Review of Non-Wells Fargo Bank Account Activities									
Date	Name	Memo	1013 - TD BANK PAYROLL DIP Total						
			Sources			Uses			TD Bank Payroll DIP Total Net Transactions
			1005 - Cash-TD Bank Payroll	1401 - Employee Loan	TD Bank Payroll DIP Total Sources	2201 - Wages and p/r taxes Payable	5101 - Plant Wages	TD Bank Payroll DIP Total Uses	
03/01/2016	HI-TEMP SPECIALTY	PPE 02 27 2016							
03/01/2016	TD Bank Payroll	Wire Fee							
03/02/2016	TD Bank Payroll	PPE 02 27 2015							
03/02/2016	TD Bank Payroll	PPE 02 27 2016							
03/03/2016	TD Bank Payroll	401k match catch-up 1/1/2016 to 1/30/2016							
03/08/2016	HI-TEMP SPECIALTY	PPE 03 05 2016							
03/08/2016	TD Bank Payroll	Wire Fee							
03/09/2016	TD Bank Payroll	PPE 03 05 2016							
03/09/2016	TD Bank Payroll	PPE 03 5 2016							
03/11/2016	PAYCHEX	14337118							
03/14/2016	HI-TEMP SPECIALTY	PPE 03 12 2016							
03/14/2016	TD Bank Payroll	Wire Fee							
03/15/2016	TD Bank Payroll	PPE 03 12 2016							
03/21/2016	HI-TEMP SPECIALTY	PPE 03 19 2016							
03/21/2016	TD Bank Payroll	Wire Fee							
03/22/2016	TD Bank Payroll	PPE 03 19 2016							
03/28/2016	HI-TEMP SPECIALTY	PPE 03 26 2016							
03/28/2016	Metallurgical Products	Wire from Metallurgical Products							
03/28/2016	TD Bank Payroll	Wire Fee							
03/29/2016	Citi Bank	Wire Fee							
03/29/2016	TD Bank Payroll	PPE 03 26 2016							
03/30/2016	Citi Bank	Deposit in Citibank							
03/31/2016	TD Bank	PaperSTMT3/31/16							
03/31/2016	TD Bank Payroll	MAR 2016 O/S P/R CKS							
04/01/2016	Citi Bank	Wire Fee							
04/01/2016	Metallurgical Products	Wire to Metallurgical Products							
04/04/2016	HI-TEMP SPECIALTY	PPE 04 02 2016							
04/04/2016	TD Bank Payroll	Wire Fee							
04/05/2016	TD Bank Payroll	PPE 04 02 2016							
04/12/2016	HI-TEMP SPECIALTY	PPE 04 09 2016							
04/12/2016	TD Bank Payroll	Wire Fee							
04/13/2016	TD Bank Payroll	PPE 04 09 2016							
04/15/2016	PAYCHEX	14484088							
04/19/2016	Citi Bank	Wire Fee							
04/19/2016	HI-TEMP SPECIALTY	PPE 04 16 2016							
04/19/2016	Metallurgical Products	Freight - Metallurgical Products							
04/19/2016	TD Bank Payroll	Wire Fee							
04/20/2016	TD Bank Payroll	PPE 04 16 2016							
04/25/2016	HI-TEMP SPECIALTY	PPE 04 23 2016							
04/25/2016	TD Bank Payroll	Wire Fee							
04/26/2016	TD Bank Payroll	PPE 04 23 2016							
04/29/2016	TD Bank	4/29/15-Statement Fee							
04/30/2016	TD Bank Payroll	APR 2016 O/S P/R CKS							
05/03/2016	HI-TEMP SPECIALTY	PPE 04 30 2016							
05/03/2016	TD Bank Payroll	Wire Fee							
05/06/2016	TD Bank Payroll	PPE 04 30 2016							
05/09/2016	HI-TEMP SPECIALTY	PPE 05 07 2016							
05/09/2016	TD Bank Payroll	Wire Fee							
05/11/2016	TD Bank Payroll	PPE 05 07 2016							
05/13/2016	PAYCHEX	14621021							
05/16/2016	HI-TEMP SPECIALTY	PPE 05 14 2016							
05/16/2016	TD Bank Payroll	Wire Fee							
05/17/2016	TD Bank Payroll	PPE 05 14 2016							

Hi-Temp Specialty Metals, Inc.									
Review of Non-Wells Fargo Bank Account Activities									
			1013 - TD BANK PAYROLL DIP Total						
			Sources			Uses			TD Bank Payroll DIP Total Net Transactions
			1005 - Cash-TD Bank Payroll	1401 - Employee Loan	TD Bank Payroll DIP Total Sources	2201 - Wages and p/r taxes Payable	5101 - Plant Wages	TD Bank Payroll DIP Total Uses	
Date	Name	Memo							
05/23/2016	HI-TEMP SPECIALTY	PPE 05212016							
05/23/2016	TD Bank Payroll	Wire Fee							
05/24/2016	SG Recycling Inc.	INV17736							
05/25/2016	Citi Bank	Wire Fee							
05/25/2016	Diconza Traurig Kaish LLP	Diconza Traurig Kaish LLP							
05/25/2016	TD Bank Payroll	PPE 05 21 2016							
05/31/2016	AMERICAN EXPRESS	Prepayment of Amex							
05/31/2016	HI-TEMP SPECIALTY	PPE 05 28 2016							
05/31/2016	TD Bank	Bank Fee 5/31/16							
05/31/2016	TD Bank Payroll	MAY 2016 O/S P/R CKS							
05/31/2016	TD Bank Payroll	Wire Fee							
06/01/2016	TD Bank Payroll	PPE 05 28 2016							
06/03/2016	Citi Bank	Wire Fee							
06/03/2016	Diconza Traurig Kaish LLP	Diconza Traurig Kaish LLP							
06/03/2016	Yano Metals Co., Ltd.	INV17692 & 17709							
06/06/2016	Citi Bank	Funds Transfer							
06/06/2016	Citi Bank	Wire Fee							
06/06/2016	Happy Precious Metal Co LTD	PO3648 INHP16-06001							
06/06/2016	HI-TEMP SPECIALTY	PPE 06 06 16							
06/06/2016	Payroll	Wire to Payroll account							
06/06/2016	TD Bank Payroll	Wire Fee							
06/06/2016	Valerie Realty	Wire to Valerie Realty							
06/07/2016	Citi Bank	Wire Fee							
06/07/2016	Globe Metal	PO3653 & 3634-2							
06/07/2016	Western Australia Specialty Alloys	INV17621, 17657, 17677, 17679							
06/08/2016	Certified Alloy Products	INV17626							
06/08/2016	Citi Bank	Wire Fee							
06/08/2016	Pacific Particulate Ltd.	INV17689							
06/08/2016	TD Bank Payroll	PPE 06 04 2016							
06/09/2016	Citi Bank	Wire Fee							
06/09/2016	Hickman Williams & Company	INV17668							
06/09/2016	Yano Metals Co., Ltd.	INV17692 & 17709							
06/10/2016	AURORA - GLENCORE	Deposit							
06/10/2016	Citi Bank	Glencore wired Hi-Temp in error							
06/10/2016	Citi Bank	Wire Fee							
06/13/2016	AURORA - GLENCORE	RETURN OF FUNDS TO AURORA - GLENCORE WIRED HITEMP IN ERROR							
06/13/2016	Certified Alloy Products	INV17633							
06/13/2016	Citi Bank	Wire Fee							
06/13/2016	HI-TEMP SPECIALTY	PPE 06 11 16							
06/13/2016	LKAB Minerals	PO3616-2 INV80118 R-12225							
06/13/2016	PAYCHEX	14762894							
06/13/2016	TD Bank Payroll	Wire Fee							
06/14/2016	Citi Bank	Wire Fee							
06/14/2016	TD Bank Payroll	PPE 6/11/16							
06/14/2016	TD Bank Payroll	PPE 6/11/2016							
06/14/2016	Tosoh SMD Inc.	PO3614 INVCD184348 R-12133							
06/15/2016	Ross & Catherall	INV17639							
06/17/2016	Citi Bank	Funds Transfer							
06/17/2016	Citi Bank	Wire Fee							
06/17/2016	COHN REZNICK	COHN REZNICK							
06/17/2016	DICONZA TRAURIG KADISH LLP	DICONZA TRAURIG KADISH LLP							
06/17/2016	Happy Precious Metal Co LTD	PO3645-1 INVTBD PPD							
06/17/2016	Payroll	Wire to Payroll account							

Hi-Temp Specialty Metals, Inc.									
Review of Non-Wells Fargo Bank Account Activities									
			1013 - TD BANK PAYROLL DIP Total						
			Sources			Uses			TD Bank Payroll DIP Total Net Transactions
			1005 - Cash-TD Bank Payroll	1401 - Employee Loan	TD Bank Payroll DIP Total Sources	2201 - Wages and p/r taxes Payable	5101 - Plant Wages	TD Bank Payroll DIP Total Uses	
Date	Name	Memo							
06/17/2016	TD Bank Payroll	Wire Fee							100
06/21/2016	TD Bank Payroll	PPE 6/18/2016							
06/22/2016	Citi Bank	Wire Fee							
06/22/2016	COHN REZNICK	COHN REZNICK							
06/22/2016	DICONZA TRAURIG KADISH LLP	DICONZA TRAURIG KADISH LLP							
06/23/2016	Employee Loan	Deposit		100	100				
06/24/2016	Cronimet Specialty Metals USA	CG1620113							
06/24/2016	TD Bank Payroll	Funds Transfer	41,380		41,380				
06/24/2016	Transfer	Closing of Citibank; Deposit into TD DIP							
06/24/2016	Transfer	Funds Transfer							
06/27/2016	TD Bank Payroll	Funds Transfer	486		486				
06/27/2016	TD Bank Payroll	O/S P/R CKS AT CLOSING OF ACCT							
06/29/2016	TD Bank Payroll DIP	PPE 06 25 2016				(32,730)	(96)	(32,827)	
06/30/2016	Precision Castparts Corp	INV17486 & 17711							
07/01/2016	Carpenter Technology Corp.	INV							
07/01/2016	Certified Alloy Products	INV							(32,827)
07/01/2016	GENERAL WELDING	00650532-00							
07/01/2016	Pacific Particulate Ltd.	INV							
07/02/2016	Special Metals Corp.	INV							
07/05/2016	Western Australia Specialty Alloys	INV							
Grand Total			41,866	100	41,966	(32,730)	(96)	(32,827)	9,139

Exhibit D

Revised Budget

Hi-Temp Specialty Metals 13-Week Cash Flow Forecast USD																				
		A	B	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		
		Scenario: Week Ending(Friday): Period #:	Actual 6/24/2016 A	Actual 7/1/2016 B	Projected 7/8/2016 1	Projected 7/15/2016 2	Projected 7/22/2016 3	Projected 7/29/2016 4	Projected 8/5/2016 5	Projected 8/12/2016 6	Projected 8/19/2016 7	Projected 8/26/2016 8	Projected 9/2/2016 9	Projected 9/9/2016 10	Projected 9/16/2016 11	Projected 9/23/2016 12	Projected 9/30/2016 13	Projected 10/7/2016 14	Projected 10/14/2016 15	Total 15 Weeks
Account Type	Account Category	Account																		
<u>RECEIPT</u>																				
Cash Collections:																				
TOTAL RECEIPTS:			\$141,400	\$747,702	\$789,959	\$477,756	\$667,342	\$267,925	\$351,147	\$916,968	\$1,106,789	\$789,959	\$577,756	\$767,342	\$367,925	\$451,147	\$1,059,254	\$787,474	\$343,833	\$9,722,576
<u>DISBURSEMENT</u>																				
Cash Payments:																				
Trade Accounts Payable Vendors				\$547	\$347,582	\$254,213	\$337,631	\$161,887	\$215,994	\$935,569	\$694,071	\$405,499	\$517,989	\$484,237	\$383,828	\$695,506	\$536,096	\$381,366	\$375,999	\$6,727,466
Conversion Costs Related To Baghouse Swap (A)					\$127,000	\$100,000	\$0	\$117,600	\$100,000	\$0	\$0	\$150,000	\$0	\$100,000	\$0	\$0	\$0	\$0	\$0	\$694,600
Non-Inventory Expenses, Other Than Below			\$17		\$79,318	\$15,075	\$19,075	\$16,005	\$75,093	\$18,080	\$17,575	\$17,505	\$45,093	\$49,300	\$17,575	\$16,575	\$18,505	\$75,598	\$17,575	\$497,948
Freight & Duties					\$16,495	\$19,283	\$16,711	\$17,580	\$20,564	\$12,112	\$14,056	\$15,577	\$18,639	\$14,913	\$16,692	\$17,677	\$17,577	\$17,577	\$21,496	\$256,949
Payroll, Taxes & Benefits			\$33,381	\$32,827	\$36,215	\$36,215	\$36,215	\$36,215	\$36,215	\$36,215	\$36,215	\$36,215	\$36,215	\$36,215	\$36,215	\$36,215	\$36,215	\$36,215	\$36,215	\$543,231
Commissions					\$2,358	\$2,358	\$2,395	\$2,454	\$1,953	\$1,953	\$1,978	\$1,991	\$1,953	\$2,338	\$2,363	\$2,338	\$2,338	\$661	\$661	\$30,092
Interest & Bank Charges					\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Bankruptcy Professional Fees			\$26,717																	\$0
US Trustee Fees															\$5,000					\$5,000
Insurance Payments					\$23,161	\$21,054	\$0	\$246	\$19,733	\$21,054	\$0	\$133,896	\$9,750	\$19,733	\$21,054	\$10,007	\$246	\$19,733	\$0	\$299,666
Utilities					\$4,525	\$6,905	\$2,525	\$37,025	\$4,525	\$7,655	\$2,525	\$2,525	\$39,025	\$6,905	\$2,525	\$2,525	\$37,025	\$4,525	\$6,905	\$167,645
Rent, Auto & Equipment Leases					\$41,804	\$2,168	\$2,461	\$1,829	\$43,519	\$0	\$2,868	\$3,061	\$41,713	\$2,335	\$2,168	\$3,761	\$529	\$43,519	\$2,168	\$193,903
Timing Contingency					\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$375,000
TOTAL DISBURSEMENTS			\$60,115	\$33,374	\$703,459	\$482,272	\$442,013	\$415,841	\$542,597	\$1,057,639	\$794,289	\$791,269	\$735,378	\$740,976	\$512,420	\$809,604	\$673,531	\$604,195	\$486,019	\$9,791,499
NET CASH FLOW			\$ 81,285	\$ 714,328	\$ 86,500	\$ (4,516)	\$ 225,330	\$ (147,916)	\$ (191,450)	\$ (140,671)	\$ 312,501	\$ (1,310)	\$ (157,622)	\$ 26,367	\$ (144,495)	\$ (358,457)	\$ 385,723	\$ 183,280	\$ (142,187)	\$ (68,923)

Rolling Cash Flow:																				
Cash, Beginning of Week			21,000	\$ 102,285	\$ 816,613	\$ 903,113	\$ 898,597	\$ 1,123,927	\$ 976,011	\$ 784,561	\$ 643,890	\$ 956,391	\$ 955,081	\$ 797,459	\$ 823,826	\$ 679,331	\$ 320,873	\$ 706,596	\$ 889,876	\$ 816,613
Cash, End of Week			\$ 102,285	\$ 816,613	\$ 903,113	\$ 898,597	\$ 1,123,927	\$ 976,011	\$ 784,561	\$ 643,890	\$ 956,391	\$ 955,081	\$ 797,459	\$ 823,826	\$ 679,331	\$ 320,873	\$ 706,596	\$ 889,876	\$ 747,689	\$ 747,689

(A) Conversion costs related to the Baghouse swap consists of processings costs. In connection with these transactions, local Indian rules require the exchange of payment equal to the agreed-upon value of the materials processed. The Debtor's counterparty does not take take title to the materials, thus thier payment to the Debtor for the materials is simultaneously refunded by the Debtor back to the processor. The cash receipts and cash disbursements associated with these transactions have not been included in the Budget.

Hi-Temp Specialty Metals																					
13-Week Cash Flow Forecast																					
USD																					
			A	B	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		
			Scenario:	Actual	Actual	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Total	
			Week Ending(Friday):	6/24/2016	7/1/2016	7/8/2016	7/15/2016	7/22/2016	7/29/2016	8/5/2016	8/12/2016	8/19/2016	8/26/2016	9/2/2016	9/9/2016	9/16/2016	9/23/2016	9/30/2016	10/7/2016	10/14/2016	
			Period #:	A	B	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
Account Type	Account Category	Account																			
Accounts Receivable Rollforward:																					
Accounts Receivable, Beginning of Week						4,577,886	4,577,886	4,677,886	4,777,886	4,877,886	4,977,886	5,120,172	4,800,857	4,354,731	4,186,881	4,152,152	4,205,416	4,275,711	3,647,382	3,382,816	4,577,886
Accrual Basis Sales						789,959	577,756	767,342	367,925	451,147	1,059,254	787,474	343,833	409,906	732,613	421,189	521,442	430,925	522,909	444,637	8,628,310
Collections						(789,959)	(477,756)	(667,342)	(267,925)	(351,147)	(916,968)	(1,106,789)	(789,959)	(577,756)	(767,342)	(367,925)	(451,147)	(1,059,254)	(787,474)	(343,833)	(9,722,576)
Accounts Receivable, End of Week						4,577,886	4,677,886	4,777,886	4,877,886	4,977,886	5,120,172	4,800,857	4,354,731	4,186,881	4,152,152	4,205,416	4,275,711	3,647,382	3,382,816	3,483,620	3,483,620
Days Sales in Accounts Receivable Assumption											49	49	49	49	49	49	49	49	49	49	
Inventory Rollforward:																					
Inventory, Beginning of Week						15,059,000	15,186,000	15,286,000	15,286,000	15,403,600	15,503,600	15,503,600	15,503,600	15,653,600	15,653,600	15,753,600	15,753,600	15,753,600	15,753,600	15,753,600	15,059,000
Purchases						695,164	508,425	675,261	323,774	397,009	932,143	692,977	302,573	360,717	644,700	370,646	458,869	379,214	460,160	391,280	7,592,913
Baghouse Conversion Costs (Cash Basis)						127,000	100,000	-	117,600	100,000	-	-	150,000	-	100,000	-	-	-	-	-	694,600
Cost of Sales 88%						(695,164)	(508,425)	(675,261)	(323,774)	(397,009)	(932,143)	(692,977)	(302,573)	(360,717)	(644,700)	(370,646)	(458,869)	(379,214)	(460,160)	(391,280)	(7,592,913)
Inventory, End of Week						15,186,000	15,286,000	15,286,000	15,403,600	15,503,600	15,503,600	15,503,600	15,653,600	15,653,600	15,753,600	15,753,600	15,753,600	15,753,600	15,753,600	15,753,600	15,753,600
Post Petition Accounts Payable:																					
Post Petition Accounts Payable, Beginning of Week						200,000	547,582	801,795	1,139,425	1,301,312	1,482,327	1,478,901	1,477,808	1,374,882	1,217,610	1,378,073	1,364,891	1,128,254	971,372	1,050,166	200,000
Purchases						695,164	508,425	675,261	323,774	397,009	932,143	692,977	302,573	360,717	644,700	370,646	458,869	379,214	460,160	391,280	7,592,913
Disbursements						(347,582)	(254,213)	(337,631)	(161,887)	(215,994)	(935,569)	(694,071)	(405,499)	(517,989)	(484,237)	(383,828)	(695,506)	(536,096)	(381,366)	(375,999)	(6,727,466)
Post Petition Accounts Payable, End of Week						547,582	801,795	1,139,425	1,301,312	1,482,327	1,478,901	1,477,808	1,374,882	1,217,610	1,378,073	1,364,891	1,128,254	971,372	1,050,166	1,065,447	1,065,447
Calculation or Accounts Payable Disbursements:																					
Total Purchases						695,164	508,425	675,261	323,774	397,009	932,143	692,977	302,573	360,717	644,700	370,646	458,869	379,214	460,160	391,280	7,592,913
50% Assumed Paid in Cash						(347,582)	(254,213)	(337,631)	(161,887)	(198,505)	(466,072)	(346,489)	(151,286)	(180,359)	(322,350)	(185,323)	(229,435)	(189,607)	(230,080)	(195,640)	(3,796,456)
Balance to Carry 30 Day Terms						347,582	254,213	337,631	161,887	198,505	466,072	346,489	151,286	180,359	322,350	185,323	229,435	189,607	230,080	195,640	3,796,456
Payment of Purchases Subject to Credit Terms										17,490	469,498	347,582	254,213	337,631	161,887	198,505	466,072	346,489	151,286	180,359	2,931,009
Total Accounts Payable Disbursements						347,582	254,213	337,631	161,887	215,994	935,569	694,071	405,499	517,989	484,237	383,828	695,506	536,096	381,366	375,999	6,727,466
Accrued Restructuring Fees:																					
Accrued Restructuring Fees, Beginning of Week						42,500	78,500	101,500	126,500	156,500	182,500	195,000	224,000	239,000	269,000	295,000	310,000	339,000	424,340	450,340	42,500
Fees Accrued						36,000	23,000	25,000	30,000	26,000	12,500	29,000	15,000	30,000	26,000	15,000	29,000	85,340	26,000	12,500	420,340
Fees Paid																					-
Accrued Restructuring Fees, End of Week						78,500	101,500	126,500	156,500	182,500	195,000	224,000	239,000	269,000	295,000	310,000	339,000	424,340	450,340	462,840	462,840